

## STATE OF MINNESOTA

## SPECIAL SESSION — 2003

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 SIXTH DAY

SAINT PAUL, MINNESOTA, TUESDAY, MAY 27, 2003

The House of Representatives convened at 12:00 noon and was called to order by Steve Sviggum, Speaker of the House.

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

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

The roll was called and the following members were present:

|              |            |             |            |           |              |
|--------------|------------|-------------|------------|-----------|--------------|
| Abeler       | DeLaForest | Heidgerken  | Larson     | Opatz     | Slawik       |
| Abrams       | Demmer     | Hilstrom    | Latz       | Osterman  | Smith        |
| Adolphson    | Dempsey    | Hilty       | Lenczewski | Otremba   | Soderstrom   |
| Anderson, B. | Dill       | Holberg     | Lesch      | Otto      | Solberg      |
| Anderson, I. | Dorman     | Hoppe       | Lieder     | Ozment    | Stang        |
| Anderson, J. | Dorn       | Hornstein   | Lindgren   | Paulsen   | Strachan     |
| Atkins       | Eastlund   | Howes       | Lindner    | Paymar    | Swenson      |
| Beard        | Eken       | Huntley     | Lipman     | Pelowski  | Sykora       |
| Bernardy     | Ellison    | Jacobson    | Magnus     | Penas     | Thao         |
| Biernat      | Entenza    | Jaros       | Mahoney    | Peterson  | Thissen      |
| Blaine       | Erhardt    | Johnson, J. | Mariani    | Powell    | Tingelstad   |
| Borrell      | Erickson   | Johnson, S. | Marquart   | Pugh      | Urdahl       |
| Boudreau     | Finstad    | Juhnke      | McNamara   | Rhodes    | Vandever     |
| Bradley      | Fuller     | Kelliher    | Meslow     | Rukavina  | Walker       |
| Brod         | Gerlach    | Kielkucki   | Mullery    | Ruth      | Walz         |
| Buesgens     | Goodwin    | Klinzing    | Murphy     | Samuelson | Wardlow      |
| Carlson      | Greiling   | Knoblach    | Nelson, C. | Seagren   | Wasiluk      |
| Clark        | Gunther    | Koenen      | Nelson, M. | Seifert   | Westerberg   |
| Cornish      | Haas       | Kohls       | Nelson, P. | Sertich   | Westrom      |
| Cox          | Hackbarth  | Krinkie     | Nornes     | Severson  | Wilkin       |
| Davids       | Harder     | Kuisle      | Olsen, S.  | Sieben    | Zellers      |
| Davnie       | Hausman    | Lanning     | Olson, M.  | Simpson   | Spk. Sviggum |

A quorum was present.

Wagenius was excused.

Kahn was excused until 9:35 p.m.

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

**FISCAL CALENDAR ANNOUNCEMENT**

Pursuant to rule 1.22, Abrams announced his intention to place H. F. No. 7 on the Fiscal Calendar for Tuesday, May 27, 2003.

Paulsen 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.

**INTRODUCTION AND FIRST READING OF HOUSE BILLS**

The following House Files were introduced:

Dill introduced:

H. F. No. 59, A bill for an act relating to game and fish; providing for lead tackle awareness and education; providing for grants.

The bill was read for the first time and referred to the Committee on Environment and Natural Resources Policy.

Severson introduced:

H. F. No. 60, A bill for an act relating to capital improvements; authorizing the issuance of state bonds; appropriating money for the Sauk Rapids bridge.

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

Dorman and Marquart introduced:

H. F. No. 61, A bill for an act relating to taxation; eliminating payment of market value homestead credit reimbursements to cities; reinstating authorization to levy for transit purposes; providing for additional means of financing transit; reducing local government aid payable to cities; amending Minnesota Statutes 2002, sections 273.1384, subdivision 4; 473.388, subdivisions 4, 7; 473.446, subdivision 1, by adding subdivisions; 477A.03, subdivision 2; repealing Minnesota Statutes 2002, sections 174.242; 477A.03, subdivision 4.

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

Boudreau introduced:

H. F. No. 62, A bill for an act relating to public safety; regulating firearms; modifying the reasonable request provisions of the Personal Protection Act of 2003; amending Minnesota Statutes 2002, section 624.714, subdivision 17, as added.

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

Lipman introduced:

H. F. No. 63, A bill for an act relating to probate; providing for memorial fund trusts; changing an application provision; providing for agreements; clarifying procedures; providing an effective date; eliminating a duplicative affidavit requirement; amending Minnesota Statutes 2002, sections 501B.14, subdivision 3; 524.3-1201; Laws 2002, chapter 347, section 5; proposing coding for new law in Minnesota Statutes, chapter 501B.

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

#### FISCAL CALENDAR ANNOUNCEMENT

Pursuant to rule 1.22, Knoblach announced his intention to place H. F. No. 5 on the Fiscal Calendar for Tuesday, May 27, 2003.

#### FISCAL CALENDAR

Pursuant to rule 1.22, Knoblach requested immediate consideration of H. F. No. 5.

H. F. No. 5 was reported to the House.

Kuisle moved to amend H. F. No. 5 as follows:

Delete everything after the enacting clause and insert:

#### "ARTICLE 1

#### APPROPRIATIONS TRANSPORTATION AND OTHER AGENCIES

Section 1. [TRANSPORTATION AND OTHER AGENCIES APPROPRIATIONS.]

The sums shown in the columns marked "APPROPRIATIONS" are appropriated from the general fund, or another named fund, to the agencies and for the purposes specified in this article, to be available for the fiscal years indicated for each purpose. The figures "2004" and "2005," where used in this article, mean that the appropriations listed under them are available for the year ending June 30, 2004, or June 30, 2005, respectively. If the figures are not used, the appropriations are available for the year ending June 30, 2004, or June 30, 2005, respectively. The term "first year" means the year ending June 30, 2004, and the term "second year" means the year ending June 30, 2005.

## SUMMARY BY FUND

|                                     | 2004            | 2005            | TOTAL           |
|-------------------------------------|-----------------|-----------------|-----------------|
| General                             | \$80,036,000    | \$81,142,000    | \$161,178,000   |
| Airports                            | 19,458,000      | 19,458,000      | 38,916,000      |
| C.S.A.H.                            | 426,020,000     | 433,631,000     | 859,651,000     |
| M.S.A.S.                            | 112,290,000     | 114,661,000     | 226,951,000     |
| Special Revenue                     | 1,144,000       | 1,144,000       | 2,288,000       |
| Highway User                        | 12,336,000      | 12,336,000      | 24,672,000      |
| Trunk Highway                       | 1,205,907,000   | 1,272,051,000   | 2,477,958,000   |
| Petroleum Tank Release Cleanup Fund | 527,000         | -0-             | 527,000         |
| TOTAL                               | \$1,857,191,000 | \$1,934,423,000 | \$3,791,614,000 |

APPROPRIATIONS  
Available for the Year  
Ending June 30

2004 2005

## Sec. 2. TRANSPORTATION

Subdivision 1. Total Appropriation \$1,681,512,000 \$1,757,479,000

The appropriations in this section are from the trunk highway fund, except when another fund is named.

## Summary by Fund

|               | 2004          | 2005          |
|---------------|---------------|---------------|
| General       | 16,220,000    | 16,221,000    |
| Airports      | 19,408,000    | 19,408,000    |
| C.S.A.H.      | 426,020,000   | 433,631,000   |
| M.S.A.S.      | 112,290,000   | 114,661,000   |
| Trunk Highway | 1,107,574,000 | 1,173,558,000 |

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

| APPROPRIATIONS<br>Available for the Year<br>Ending June 30 |            |            |
|--|------------|------------|
| 2004   | 2005       |            |
| Subd. 2. Multimodal Systems                                | 41,688,000 | 41,689,000 |

## Summary by Fund

|               |            |            |
|---------------|------------|------------|
| Airports      | 19,383,000 | 19,383,000 |
| General       | 16,295,000 | 16,296,000 |
| Trunk Highway | 6,010,000  | 6,010,000  |

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

## (a) Aeronautics

|            |            |
|------------|------------|
| 20,395,000 | 20,395,000 |
|------------|------------|

## Summary by Fund

|               |            |            |
|---------------|------------|------------|
| Airports      | 19,383,000 | 19,383,000 |
| Trunk Highway | 1,012,000  | 1,012,000  |

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

## (1) Airport Development and Assistance

|            |            |
|------------|------------|
| 14,298,000 | 14,298,000 |
|------------|------------|

These appropriations must be spent according to Minnesota Statutes, section 360.305, subdivision 4.

Notwithstanding Minnesota Statutes, section 16A.28, subdivision 6, funds are available for five years after appropriation.

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

Of this appropriation \$750,000 each year is for the long-range radar facility in Alexandria. This appropriation is contingent on a partnership with the federal aviation administration for this project.

\$100,000 in each fiscal year must be used for hangar construction for the civil air patrol at the South St. Paul airport.

**APPROPRIATIONS**  
 Available for the Year  
 Ending June 30  
 2004 2005

## (2) Aviation Support and Services

6,097,000 6,097,000

## Summary by Fund

|          |           |           |
|----------|-----------|-----------|
| Airports | 5,085,000 | 5,085,000 |
|----------|-----------|-----------|

|               |           |           |
|---------------|-----------|-----------|
| Trunk Highway | 1,012,000 | 1,012,000 |
|---------------|-----------|-----------|

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

## (b) Transit

16,097,000 16,098,000

## Summary by Fund

|         |            |            |
|---------|------------|------------|
| General | 15,949,000 | 15,950,000 |
|---------|------------|------------|

|               |         |         |
|---------------|---------|---------|
| Trunk Highway | 148,000 | 148,000 |
|---------------|---------|---------|

The general fund budget base for this activity is \$15,810,000 in each year of the 2006-2007 biennium.

The commissioner shall provide funding up to \$350,000 for the operation of the Northstar commuter coach from October 1, 2003, to September 30, 2004, using accumulated fare revenue, if a local government unit or the Northstar Corridor Development Authority:

(1) agrees to operate the service beginning October 1, 2003; and

(2) provides the local match for federal funding for the service.

## (c) Freight

1,569,000 1,569,000

## Summary by Fund

|         |         |         |
|---------|---------|---------|
| General | 220,000 | 220,000 |
|---------|---------|---------|

|               |           |           |
|---------------|-----------|-----------|
| Trunk Highway | 1,349,000 | 1,349,000 |
|---------------|-----------|-----------|

APPROPRIATIONS  
Available for the Year  
Ending June 30  
2004 2005

Notwithstanding Minnesota Statutes, section 222.49, after July 1, 2003, and before June 30, 2004, the commissioner of finance shall transfer \$3,200,000 from the rail service improvement account in the special revenue fund to the debt service fund.

Notwithstanding Minnesota Statutes, section 222.49, after July 1, 2004, and before June 30, 2005, the commissioner of finance shall transfer \$3,200,000 from the rail service improvement account in the special revenue fund to the debt service fund.

## (d) Commercial Vehicles

|                      |               |               |                 |               |
|----------------------|---------------|---------------|-----------------|---------------|
|                      | 3,627,000     | 3,627,000     |                 |               |
|                      |               |               | Summary by Fund |               |
| General              | 126,000       | 126,000       |                 |               |
| Trunk Highway        | 3,501,000     | 3,501,000     |                 |               |
| Subd. 3. State Roads |               |               | 1,045,224,000   | 1,115,658,000 |
|                      |               |               | Summary by Fund |               |
| General              | 9,000         | 9,000         |                 |               |
| Trunk Highway        | 1,045,215,000 | 1,115,649,000 |                 |               |

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

## (a) Infrastructure Investment and Planning

|  |             |             |  |  |
|--|-------------|-------------|--|--|
|  | 836,593,000 | 907,027,000 |  |  |
|--|-------------|-------------|--|--|

\$266,000 the first year and \$266,000 the second year are available for grants to metropolitan planning organizations outside the seven-county metropolitan area.

\$75,000 the first year and \$75,000 the second year are for a transportation research contingent account to finance research projects that are reimbursable from the federal government or from other sources. If the appropriation for either year is insufficient, the appropriation for the other year is available for it.

**APPROPRIATIONS**  
 Available for the Year  
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 2004 2005

\$600,000 the first year and \$600,000 the second year are available for grants for transportation studies outside the metropolitan area to identify critical concerns, problems, and issues. These grants are available (1) to regional development commissions, and (2) in regions where no regional development commission is functioning, to joint powers boards established under agreement of two or more political subdivisions in the region to exercise the planning functions of a regional development commission, and (3) in regions where no regional development commission or joint powers board is functioning, to the department's district office for that region.

(1) State Road Construction

|             |             |
|-------------|-------------|
| 636,957,000 | 685,450,000 |
|-------------|-------------|

It is estimated that these appropriations will be funded as follows:

Federal Highway Aid

|             |             |
|-------------|-------------|
| 325,000,000 | 375,000,000 |
|-------------|-------------|

Highway User Taxes

|             |             |
|-------------|-------------|
| 311,957,000 | 310,450,000 |
|-------------|-------------|

The commissioner of transportation shall notify the chair of the transportation budget division of the senate and the chair of the transportation finance committee of the house of representatives of any significant events that should cause these estimates to change.

This appropriation is for the actual construction, reconstruction, and improvement of trunk highways including consultant usage to support these activities. This includes the cost of actual payment to landowners for lands acquired for highway rights-of-way, payment to lessees, interest subsidies, and relocation expenses.

The commissioner may transfer up to \$15,000,000 each year to the transportation revolving loan fund.

\$330,000 the first year is for operating costs of bus service to mitigate traffic impacts of the construction project involving I-494, the Wakota bridge, and trunk highway 61.



APPROPRIATIONS  
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Ending June 30  
2004 2005

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

## (2) Highway Debt Service

|            |            |
|------------|------------|
| 40,149,000 | 60,583,000 |
|------------|------------|

\$33,640,000 the first year and \$54,012,000 the second year are for transfer to the state bond fund. If this appropriation is insufficient to make all transfers required in the year for which it is made, the commissioner of finance shall notify the committee on state government finance of the senate and the committee on ways and means of the house of representatives of the amount of the deficiency and shall then transfer that amount under the statutory open appropriation. Any excess appropriation cancels to the trunk highway fund.

## (b) Infrastructure Operations and Maintenance

|             |             |
|-------------|-------------|
| 203,641,000 | 203,641,000 |
|-------------|-------------|

## (c) Electronic Communications

|           |           |
|-----------|-----------|
| 4,990,000 | 4,990,000 |
|-----------|-----------|

## Summary by Fund

|               |           |           |
|---------------|-----------|-----------|
| General       | 9,000     | 9,000     |
| Trunk Highway | 4,981,000 | 4,981,000 |

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

|                      |             |             |
|----------------------|-------------|-------------|
| Subd. 4. Local Roads | 538,310,000 | 548,292,000 |
|----------------------|-------------|-------------|

## Summary by Fund

|          |             |             |
|----------|-------------|-------------|
| C.S.A.H. | 426,020,000 | 433,631,000 |
| M.S.A.S. | 112,290,000 | 114,661,000 |

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

(a) County State Aids

|             |             |
|-------------|-------------|
| 426,020,000 | 433,631,000 |
|-------------|-------------|

This appropriation is from the county state-aid highway fund and is available until spent.

(b) Municipal State Aids

|             |             |
|-------------|-------------|
| 112,290,000 | 114,661,000 |
|-------------|-------------|

This appropriation is from the municipal state-aid street fund and is available until spent.

If an appropriation for either county state aids or municipal state aids does not exhaust the balance in the fund from which it is made in the year for which it is made, the commissioner of finance, upon request of the commissioner of transportation, shall notify the chair of the transportation finance committee of the house of representatives and the chair of the transportation budget division of the senate of the amount of the remainder and shall then add that amount to the appropriation. The amount added is appropriated for the purposes of county state aids or municipal state aids, as appropriate.

|                                       |            |            |
|---------------------------------------|------------|------------|
| Subd. 5. General Support and Services | 56,430,000 | 51,980,000 |
|---------------------------------------|------------|------------|

Summary by Fund

|               |            |            |
|---------------|------------|------------|
| General       | 56,000     | 56,000     |
| Airports      | 25,000     | 25,000     |
| Trunk Highway | 56,349,000 | 51,899,000 |

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

(a) Department Support

|            |            |
|------------|------------|
| 38,653,000 | 38,653,000 |
|------------|------------|

APPROPRIATIONS  
Available for the Year  
Ending June 30  
2004 2005

Summary by Fund

|               |            |            |
|---------------|------------|------------|
| Airports      | 25,000     | 25,000     |
| Trunk Highway | 38,628,000 | 38,628,000 |

(b) Buildings

|  |            |            |
|--|------------|------------|
|  | 17,777,000 | 13,327,000 |
|--|------------|------------|

Summary by Fund

|               |            |            |
|---------------|------------|------------|
| General       | 56,000     | 56,000     |
| Trunk Highway | 17,721,000 | 13,271,000 |

In fiscal year 2004, \$4,450,000 of this appropriation is to design, construct, furnish, and equip a building in Pennington county for the joint use of the county of Pennington and departments of transportation, public safety, and natural resources for vehicle maintenance and vehicle storage. This appropriation remains available and does not lapse.

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

Subd. 6. Transfers

(a) With the approval of the commissioner of finance, the commissioner of transportation may transfer unencumbered balances among the appropriations from the trunk highway fund and the state airports fund made in this section. No transfer may be made from the appropriation for state road construction. No transfer may be made from the appropriations for debt service to any other appropriation. Transfers under this paragraph may not be made between funds. Transfers between programs must be reported immediately to the chair of the transportation budget division of the senate and the chair of the transportation finance committee of the house of representatives.

(b) The commissioner of finance shall transfer from the flexible account in the county state-aid highway fund \$14,400,000 the first year and \$8,300,000 the second year to the municipal turnback account in the municipal state-aid street fund, and the remainder in each year to the county turnback account in the county state-aid highway fund.

APPROPRIATIONS  
Available for the Year  
Ending June 30  
2004 2005

Subd. 7. Use of State Road Construction Appropriations

Any money appropriated to the commissioner of transportation for state road construction for any fiscal year before fiscal year 2004 is available to the commissioner during fiscal years 2004 and 2005 to the extent that the commissioner spends the money on the state road construction project for which the money was originally encumbered during the fiscal year for which it was appropriated. The commissioner of transportation shall report to the commissioner of finance by August 1, 2003, and August 1, 2004, on a form the commissioner of finance provides, on expenditures made during the previous fiscal year that are authorized by this subdivision.

Subd. 8. Contingent Appropriation

The commissioner of transportation, with the approval of the governor after review by the legislative advisory commission under Minnesota Statutes, section 3.30, may transfer all or part of the unappropriated balance in the trunk highway fund to an appropriation (1) for trunk highway design, construction, or inspection in order to take advantage of an unanticipated receipt of income to the trunk highway fund or to take advantage of Federal Advanced Construction funding, (2) for trunk highway maintenance in order to meet an emergency, or (3) to pay tort or environmental claims. Any transfer as a result of the use of Federal Advanced Construction funding must include an analysis of the effects on the long-term trunk highway fund balance. The amount transferred is appropriated for the purpose of the account to which it is transferred.

Subd. 9. Budget Base Reduction Report

By December 15, 2003, and December 15, 2004, the commissioner of transportation shall report to the chairs of the senate and house of representatives committees with jurisdiction over transportation policy and finance regarding the distribution and impacts of the base budget reductions. The report must include a description and enumeration of program activities with reduced spending levels and the impacts on the department's performance measures. The report must identify the total number of positions that were reduced or eliminated through attrition or layoffs, the number of positions reduced or eliminated in each of the bargaining units represented within the department, and the impact on the number of women and minorities employed by the department and the department's affirmative action goals.

| APPROPRIATIONS                       |            |            |
|--------------------------------------|------------|------------|
| Available for the Year               |            |            |
| Ending June 30                       |            |            |
| 2004                                 | 2005       |            |
| Sec. 3. METROPOLITAN COUNCIL TRANSIT | 56,810,000 | 57,910,000 |

(a) The agency's budget base for fiscal year 2006 is \$57,503,000 and for fiscal year 2007 is \$58,753,000.

(b) Bus Transit

|            |            |
|------------|------------|
| 54,010,000 | 54,010,000 |
|------------|------------|

This appropriation is for bus system operations.

(c) Rail Operations

|           |           |
|-----------|-----------|
| 2,800,000 | 3,900,000 |
|-----------|-----------|

This appropriation is for operations of the Hiawatha LRT line. The base for rail operations for fiscal year 2006 is \$4,050,000 and for fiscal year 2007 is \$5,300,000.

This appropriation is for paying 50 percent of operating costs for the Hiawatha light rail transit line after operating revenue and federal funds are used for light rail transit operations. The remaining operating costs up to a maximum of \$2,800,000 the first year and \$3,900,000 the second year are to be paid by the Hennepin county regional rail authority, using any or all of these sources:

- (1) general tax revenues of Hennepin county;
- (2) the authority's reserves; and
- (3) taxes levied under Minnesota Statutes, section 398A.04, subdivision 8, notwithstanding any provision in that subdivision that limits amounts that may be levied for light rail transit purposes.

By September 1, 2003, the metropolitan council shall submit to Hennepin county regional rail authority a proposed detailed operations management plan for Hiawatha light rail transit, covering operations through June 30, 2005. The plan may include, without limitation, operating plans concerning formation and negotiation of contracts for management or other services, service schedules, fare policy, vehicle and facility maintenance, and staffing. The council may not implement or modify the plan without the approval of Hennepin county. Minnesota Statutes, section 473.392, does not apply to the procurement by the council of operating services for the Hiawatha light rail transit line.

APPROPRIATIONS  
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2004 2005

## (d) Budget Base Reduction Report

By December 15, 2003, and December 15, 2004, the chair of the metropolitan council shall report to the chairs of the senate and house of representatives committees with jurisdiction over transportation policy and finance regarding the distribution and impacts of the base budget reductions. The report must include a description and enumeration of program activities with reduced spending levels and the impacts on transit service levels and performance of the regular route and metro mobility systems. The report must identify the total number of positions that were reduced or eliminated through attrition or layoffs, the number of positions reduced or eliminated in each of the bargaining units represented within the council, and the impact on the number of women and minorities employed by the council.

## Sec. 4. PUBLIC SAFETY

|                                    |             |             |
|------------------------------------|-------------|-------------|
| Subdivision 1. Total Appropriation | 117,894,000 | 118,059,000 |
|------------------------------------|-------------|-------------|

## Summary by Fund

|                 |            |            |
|-----------------|------------|------------|
| General         | 7,006,000  | 7,011,000  |
| Trunk Highway   | 97,533,000 | 97,693,000 |
| Highway User    | 12,211,000 | 12,211,000 |
| Special Revenue | 1,144,000  | 1,144,000  |

|  |           |           |
|--|-----------|-----------|
| Subd. 2. Administration and Related Services | 9,684,000 | 9,689,000 |
|--|-----------|-----------|

## Summary by Fund

|               |           |           |
|---------------|-----------|-----------|
| General       | 2,361,000 | 2,366,000 |
| Trunk Highway | 5,938,000 | 5,938,000 |
| Highway User  | 1,385,000 | 1,385,000 |

## (a) Office of Communications

|         |         |
|---------|---------|
| 385,000 | 385,000 |
|---------|---------|

APPROPRIATIONS  
Available for the Year  
Ending June 30  
2004 2005

Summary by Fund

|                               |           |           |
|-------------------------------|-----------|-----------|
| General                       | 39,000    | 39,000    |
| Trunk Highway                 | 346,000   | 346,000   |
| <br>(b) Public Safety Support |           |           |
|                               | 6,845,000 | 6,850,000 |

Summary by Fund

|               |           |           |
|---------------|-----------|-----------|
| General       | 2,231,000 | 2,236,000 |
| Trunk Highway | 3,248,000 | 3,248,000 |
| Highway User  | 1,366,000 | 1,366,000 |

\$365,000 the first year and \$370,000 the second year are for payment of public safety officer survivor benefits under Minnesota Statutes, section 299A.44. If the appropriation for either year is insufficient, the appropriation for the other year is available for it. The base for fiscal year 2006 is \$375,000 and for fiscal year 2007 is \$380,000.

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

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

\$792,000 the first year and \$792,000 the second year are appropriated from the general fund for transfer by the commissioner of finance to the trunk highway fund on December 31, 2003, and December 31, 2004, respectively, in order to reimburse the trunk highway fund for expenses not related to the fund. These represent amounts appropriated out of the trunk highway fund for general fund purposes in the administration and related services program.

**APPROPRIATIONS**  
 Available for the Year  
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\$610,000 the first year and \$610,000 the second year are appropriated from the highway user tax distribution fund for transfer by the commissioner of finance to the trunk highway fund on December 31, 2003, and December 31, 2004, respectively, in order to reimburse the trunk highway fund for expenses not related to the fund. These represent amounts appropriated out of the trunk highway fund for highway user tax distribution fund purposes in the administration and related services program.

\$716,000 the first year and \$716,000 the second year are appropriated from the highway user tax distribution fund for transfer by the commissioner of finance to the general fund on December 31, 2003, and December 31, 2004, respectively, in order to reimburse the general fund for expenses not related to the fund. These represent amounts appropriated out of the general fund for operation of the criminal justice data network related to driver and motor vehicle licensing.

(c) Technical Support Services

2,454,000                      2,454,000

Summary by Fund

|               |           |           |  |
|---------------|-----------|-----------|--|
| General       | 91,000    | 91,000    |  |
| Trunk Highway | 2,344,000 | 2,344,000 |  |
| Highway User  | 19,000    | 19,000    |  |

|                       |            |            |
|-----------------------|------------|------------|
| Subd. 3. State Patrol | 69,832,000 | 70,032,000 |
|-----------------------|------------|------------|

Summary by Fund

|               |            |            |  |
|---------------|------------|------------|--|
| General       | 2,871,000  | 2,871,000  |  |
| Trunk Highway | 66,869,000 | 67,069,000 |  |
| Highway User  | 92,000     | 92,000     |  |

(a) Patrolling Highways

60,524,000                      60,724,000



APPROPRIATIONS  
Available for the Year  
Ending June 30  
2004 2005

Summary by Fund

|               |            |            |
|---------------|------------|------------|
| General       | 37,000     | 37,000     |
| Trunk Highway | 60,395,000 | 60,595,000 |
| Highway User  | 92,000     | 92,000     |

Of this appropriation, \$3,500,000 the first year and \$3,700,000 the second year are for the cost of adding state patrol positions. If money transferred to the trunk highway fund in either year from the alcohol enforcement account in the special revenue fund is less than the amount specified for that year in this paragraph, the commissioner shall make up the difference by transferring to the trunk highway fund money allocated to the commissioner under the federal repeat offender transfer program, Public Law 105-206, section 164.

(b) Commercial Vehicle Enforcement

|           |           |
|-----------|-----------|
| 6,474,000 | 6,474,000 |
|-----------|-----------|

This appropriation is from the trunk highway fund.

(c) Capitol Security

|           |           |
|-----------|-----------|
| 2,834,000 | 2,834,000 |
|-----------|-----------|

The commissioner may not (1) spend any money from the trunk highway fund for capitol security, or (2) permanently transfer any state trooper from the patrolling highways activity to capitol security.

The commissioner may not transfer any money (1) appropriated for department of public safety administration, the patrolling of highways, commercial vehicle enforcement, or driver and vehicle services to capitol security or (2) from capitol security.

Subd. 4. Driver and Vehicle Services

|            |            |
|------------|------------|
| 36,910,000 | 36,870,000 |
|------------|------------|

Summary by Fund

|         |           |           |
|---------|-----------|-----------|
| General | 1,774,000 | 1,774,000 |
|---------|-----------|-----------|

|   |            |                 | APPROPRIATIONS<br>Available for the Year<br>Ending June 30 |         |
|---|------------|-----------------|--|---------|
|   |            |                 | 2004   | 2005    |
| Trunk Highway   | 24,402,000 |                 | 24,362,000   |         |
| Highway User  | 10,734,000 |                 | 10,734,000   |         |
| (a) Vehicle Services  |            |                 |  |         |
|   | 12,452,000 |                 | 12,452,000   |         |
|   |            | Summary by Fund |  |         |
| General   | 1,718,000  |                 | 1,718,000  |         |
| Highway User  | 10,734,000 |                 | 10,734,000   |         |
| (b) Driver Services   |            |                 |  |         |
|   | 24,458,000 |                 | 24,418,000   |         |
|   |            | Summary by Fund |  |         |
| General   | 56,000     |                 | 56,000   |         |
| Trunk Highway   | 24,402,000 |                 | 24,362,000   |         |
| Subd. 5. Traffic Safety   |            |                 | 324,000  | 324,000 |
| <p>This appropriation is from the trunk highway fund.</p> <p>The commissioners of public safety and transportation shall jointly report annually to the chairs and ranking minority members of the house of representatives and senate committees having jurisdiction over transportation and public safety finance issues on the expenditure of any federal funds available under the repeat offender transfer program, Public Law 105-206, section 164.</p> <p>The commissioner of transportation shall spend 50 percent of the money available to the state under Public Law 105-206, section 164, for hazard elimination activities under United States Code, title 23, section 152, and the remaining 50 percent must be transferred to the commissioner of public safety.</p> |            |                 |  |         |
| Subd. 6. Pipeline Safety  |            |                 | 994,000  | 994,000 |

This appropriation is from the pipeline safety account in the special revenue fund.

| APPROPRIATIONS<br>Available for the Year<br>Ending June 30 |         |         |
|--|---------|---------|
| 2004   | 2005    |         |
| Subd. 7. Alcohol and Gambling Enforcement                  | 150,000 | 150,000 |

This appropriation, or so much thereof as is necessary, is from the alcohol enforcement account in the special revenue fund and is for alcohol enforcement and administration. This appropriation is in addition to any other appropriation for this purpose.

Subd. 8. Budget Base Reductions Report

By December 15, 2003, and December 15, 2004, the commissioner of public safety shall report to the chairs of the senate and house of representatives committees with jurisdiction over transportation policy and finance regarding the distribution of and impacts of the base budget reductions to administration and related services, driver and vehicle services, and capitol security. The report must include a description of the program activities with reduced spending levels and the impacts on the department's performance. The report must identify the total number of positions that were reduced or eliminated, the number of positions reduced or eliminated in each of the bargaining units represented within the department, and the impact on the number of women and minorities employed by the department and the department's affirmative action goals.

|                                     |         |         |
|-------------------------------------|---------|---------|
| Sec. 5. GENERAL CONTINGENT ACCOUNTS | 375,000 | 375,000 |
|-------------------------------------|---------|---------|

Summary by Fund

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

The appropriations in this section may only be spent with the approval of the governor after consultation with the legislative advisory commission pursuant to Minnesota Statutes, section 3.30.

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

|                     |         |         |
|---------------------|---------|---------|
| Sec. 6. TORT CLAIMS | 600,000 | 600,000 |
|---------------------|---------|---------|

To be spent by the commissioner of finance.

|                        |      |
|------------------------|------|
| APPROPRIATIONS         |      |
| Available for the Year |      |
| Ending June 30         |      |
| 2004                   | 2005 |

This appropriation is from the trunk highway fund.

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

|                  |         |     |
|------------------|---------|-----|
| Sec. 7. COMMERCE | 527,000 | -0- |
|------------------|---------|-----|

This appropriation is from the petroleum tank release cleanup fund for the weights and measures division of the department of commerce to inspect and test petroleum measuring equipment. This appropriation may not be transferred.

Sec. 8. Minnesota Statutes 2002, section 239.101, is amended by adding a subdivision to read:

Subd. 8. [TEMPORARY PETROLEUM INSPECTION COST RECOVERY.] Until July 1, 2004, the cost of inspecting petroleum measuring equipment must be considered one of the expenditures that may be recovered under section 115C.08, subdivision 4, notwithstanding any other provision of this section or section 115C.08.

## ARTICLE 2

### OTHER CHANGES RELATED TO TRANSPORTATION AND PUBLIC SAFETY

Section 1. Minnesota Statutes 2002, section 13.44, subdivision 3, is amended to read:

Subd. 3. [REAL PROPERTY; APPRAISAL DATA.] (a) [CONFIDENTIAL OR PROTECTED NONPUBLIC DATA.] Estimated or appraised values of individual parcels of real property which are made by personnel of the state, its agencies and departments, or a political subdivision or by independent appraisers acting for the state, its agencies and departments, or a political subdivision for the purpose of selling or acquiring land through purchase or condemnation are classified as confidential data on individuals or protected nonpublic data.

(b) [PUBLIC DATA.] The data made confidential or protected nonpublic by the provisions of paragraph (a) shall become public upon the occurrence of any of the following:

- (1) the negotiating parties exchange appraisals;
- (2) the data are submitted to a court appointed condemnation commissioner;
- (3) the data are presented in court in condemnation proceedings; ~~or~~
- (4) the negotiating parties enter into an agreement for the purchase and sale of the property; or
- (5) the data are submitted to the owner under section 117.036.

Sec. 2. Minnesota Statutes 2002, section 16A.88, subdivision 1, is amended to read:

Subdivision 1. [GREATER MINNESOTA TRANSIT FUND.] The greater Minnesota transit fund is established within the state treasury. Money in the fund is annually appropriated to the commissioner of transportation for assistance to transit systems outside the metropolitan area under section 174.24. Beginning in fiscal year 2003, the commissioner may use up to \$400,000 each year for administration of the transit program. The commissioner shall use the fund for transit operations as provided in section 174.24 and related program administration.

Sec. 3. [117.036] [APPRAISAL AND NEGOTIATION REQUIREMENTS APPLICABLE TO ACQUISITION OF PROPERTY FOR TRANSPORTATION PURPOSES.]

Subdivision 1. [APPLICATION.] This section applies to the acquisition of property for public highways, streets, roads, alleys, airports, mass transit facilities, or for other transportation facilities or purposes.

Subd. 2. [APPRAISAL.] (a) Before commencing an eminent domain proceeding under this chapter, the acquiring authority must obtain at least one appraisal for the property proposed to be acquired. In making the appraisal, the appraiser must confer with one or more of the owners of the property, if reasonably possible. At least 20 days before presenting a petition under section 117.055, the acquiring authority must provide the owner with a copy of the appraisal and inform the owner of the owner's right to obtain an appraisal under this section.

(b) The owner may obtain an appraisal by a qualified appraiser of the property proposed to be acquired. The owner is entitled to reimbursement for the reasonable costs of the appraisal from the acquiring authority up to a maximum of \$1,500 within 30 days after the owner submits to the acquiring authority the information necessary for reimbursement, provided that the owner does so within 60 days after the owner receives the appraisal from the authority under paragraph (a).

Subd. 3. [NEGOTIATION.] In addition to the appraisal requirements under subdivision 2, before commencing an eminent domain proceeding, the acquiring authority must make a good faith attempt to negotiate personally with the owner of the property in order to acquire the property by direct purchase instead of the use of eminent domain proceedings. In making this negotiation, the acquiring authority must consider the appraisals in its possession and other information that may be relevant to a determination of damages under this chapter.

Sec. 4. Minnesota Statutes 2002, section 117.232, subdivision 1, is amended to read:

Subdivision 1. When acquisition of private property is accomplished by the state department of transportation by direct purchase the owner shall be entitled to reimbursement for appraisal fees, not to exceed a total of ~~\$500~~ \$1,500. When acquisition of private property is accomplished by any other acquiring authority, the owner is entitled to reimbursement for appraisal fees, not to exceed ~~\$500~~ \$1,500, if the owner is otherwise entitled to reimbursement under sections 117.50 to 117.56. The purchaser in all instances shall inform the owner of the right, if any, to reimbursement for appraisal fees reasonably incurred, in an amount not to exceed ~~\$500~~ \$1,500, together with relocation costs, moving costs and any other related expenses to which an owner is entitled by sections 117.50 to 117.56. This subdivision does not apply to acquisition for utility purposes made by a public service corporation organized pursuant to section 300.03 or electric cooperative associations organized pursuant to chapter 308A.

Sec. 5. Minnesota Statutes 2002, section 138.40, subdivision 2, is amended to read:

Subd. 2. [COMPLIANCE, ENFORCEMENT, PRESERVATION.] State and other governmental agencies shall comply with and aid in the enforcement of provisions of sections 138.31 to 138.42. Conservation officers and other enforcement officers of the department of natural resources shall enforce the provisions of sections 138.31 to 138.42 and report violations to the director of the society. When archaeological or historic sites are known or based on

scientific investigations ~~or are suspected~~ predicted to exist on public lands or waters, the agency or department controlling said lands or waters shall use the professional services of archaeologists from the University of Minnesota, Minnesota historical society, or other qualified professional archaeologists, to preserve these sites. In the event that archaeological excavation is required to protect or preserve these sites, state and other governmental agencies may use their funds for such activities.

Sec. 6. Minnesota Statutes 2002, section 138.40, subdivision 3, is amended to read:

Subd. 3. [REVIEW OF PLANS.] When significant archaeological or historic sites are known or ~~suspected~~, based on scientific investigations, are predicted to exist on public lands or waters, the agency or department controlling said lands or waters shall submit construction or development plans to the state archaeologist and the director of the society for review prior to the time bids are advertised. The state archaeologist and the society shall promptly review such plans and within 30 days of receiving the plans shall make recommendations for the preservation of archaeological or historic sites which may be endangered by construction or development activities. When archaeological or historic sites are related to Indian history or religion, the state archaeologist shall submit the plans to the Indian affairs council for the council's review and recommend action.

Sec. 7. [160.93] [USER FEES; HIGH-OCCUPANCY VEHICLE LANES.]

Subdivision 1. [FEES AUTHORIZED.] To improve efficiency and provide more options to individuals traveling in a trunk highway corridor, the commissioner of transportation may charge user fees to owners or operators of single-occupant vehicles using designated high-occupancy vehicle lanes. The fees may be collected using electronic or other toll-collection methods and may vary in amount with the time of day and level of traffic congestion within the corridor. The commissioner shall consult with the metropolitan council and obtain necessary federal authorizations before implementing user fees on a high-occupancy vehicle lane. Fees under this section are not subject to section 16A.1283.

Subd. 2. [DEPOSIT OF REVENUES; APPROPRIATION.] Money collected from fees authorized under subdivision 1 must be deposited in a high-occupancy vehicle lane user fee account in the special revenue fund. A separate account must be established for each trunk highway corridor. Money in the account is appropriated to the commissioner. From this appropriation the commissioner shall first repay the trunk highway fund and any other fund source for money spent to install equip or modify the corridor for the purposes of subdivision 1, and then shall pay all the costs of implementing and administering the fee collection system for that corridor. The commissioner shall spend remaining money in the account as follows:

(1) one-half must be spent for transportation capital improvements within the corridor; and

(2) one-half must be transferred to the metropolitan council for expansion and improvement of bus transit services within the corridor beyond the level of service provided on the date of implementation of subdivision 1.

Subd. 3. [EXEMPTIONS.] With respect to this section, the commissioner is exempt from statutory rulemaking requirements, including section 14.386, and from sections 160.84 to 160.92 and 161.162 to 161.167.

Subd. 4. [PROHIBITION.] No person may operate a single occupant vehicle in a designated high-occupancy vehicle lane except in compliance with the requirements of the commissioner. A person who violates this subdivision is guilty of a petty misdemeanor and is subject to sections 169.89, subdivisions 1, 2, and 4, and 169.891 and any other provision of chapter 169 applicable to the commission of a petty misdemeanor traffic offense.

Sec. 8. Minnesota Statutes 2002, section 161.08, is amended to read:

161.08 [~~BOOKS OF ACCOUNT RECORDS AND REPORTS.~~]

Subdivision 1. [BOOKS OF ACCOUNT.] (a) The commissioner shall keep accurate and complete books of account as may be prescribed by the commissioner of finance, the same to show in detail itemized receipts and disbursements of the trunk highway fund. The books of account shall show the following facts, among others:

(1) the expenses of maintaining the transportation department, including the salaries and expenses of the individual members thereof;

(2) the amounts of money expended in each county of the state for the construction of trunk highways, and when, where, and upon what job or portion of road expended so that the cost per mile of such construction can be easily ascertained;

(3) any other money expended by the state in connection with any roads other than trunk highways and when, where, and upon what portion of road so expended; and

(4) the amount of road equipment and materials purchased, and when, where, and from whom purchased, and the price paid for each item.

(b) The original invoices shall form a part of the permanent files and records in the department of transportation and be open to public inspection.

Subd. 2. [BIENNIAL REPORT.] No later than October 15 of each odd-numbered year, the commissioner shall report to the legislature the total expenditures from the trunk highway fund during the previous biennium in each of the following categories: road construction; planning; professional and technical contracts; design and engineering; labor; compliance with environmental requirements; acquisition of right-of-way; litigation costs, including payment of claims, settlements, and judgments; maintenance; and road operations. As part of each report the commissioner shall select two representative trunk highway construction projects, one each from the department's metropolitan district and from greater Minnesota, and for each project report the cost of environmental mitigation and compliance.

Sec. 9. Minnesota Statutes 2002, section 161.20, subdivision 3, is amended to read:

Subd. 3. [TRUNK HIGHWAY FUND APPROPRIATIONS.] The commissioner may expend trunk highway funds only for trunk highway purposes. Payment of expenses related to ~~sales tax~~, bureau of criminal apprehension laboratory, office of tourism kiosks, Minnesota safety council, tort claims, driver education programs, emergency medical services board, and Mississippi River parkway commission do not further a highway purpose and do not aid in the construction, improvement, or maintenance of the highway system.

Sec. 10. [161.368] [HIGHWAY MAINTENANCE, DESIGN, AND CONSTRUCTION CONTRACT WITH TRIBAL AUTHORITIES.]

On behalf of the state, the commissioner may enter into agreements with Indian tribal authorities for the purpose of providing maintenance, design, and construction to highways on tribal lands. These agreements may include (1) a provision for waiver of immunity from suit by a party to the contract on the part of the tribal authority with respect to any controversy arising out of the contract and (2) a provision conferring jurisdiction on state district courts to hear such a controversy.

Sec. 11. Minnesota Statutes 2002, section 162.02, subdivision 1, is amended to read:

Subdivision 1. [CREATION.] There is created a county state-aid highway system which must be established, located, constructed, reconstructed, improved, and maintained as public highways by the counties under rules not inconsistent with this section made and promulgated by the commissioner as provided in this chapter. The counties are vested with the rights, title, easements, and their appurtenances, held by or vested in any of the towns or municipal subdivisions or dedicated to the public use prior to the time a road or portion of a road is taken over by the county as a county state-aid highway. ~~If a county state-aid highway is established over a center portion of a street in a city having a population of 5,000 or more, then the remaining portion of the street may be established as a municipal state-aid street.~~

Sec. 12. Minnesota Statutes 2002, section 162.02, subdivision 2, is amended to read:

Subd. 2. [RULES; ADVISORY COMMITTEE.] The rules shall be made and promulgated by the commissioner acting with the advice of a committee which shall be selected by the several county boards acting through the officers of the statewide association of county commissioners. The committee shall be composed of nine members so selected that each member shall be from a different state highway construction district. Not more than five of the nine members of the committee shall be county commissioners. The remaining members shall be county highway engineers. The committee expires as provided in section 15.059, subdivision 5. In the event that agreement cannot be reached on any rule the commissioner's determination shall be final. The rules shall be printed and copies thereof shall be forwarded to the ~~county auditors and the~~ county engineers of the several counties.

Sec. 13. Minnesota Statutes 2002, section 162.02, subdivision 4, is amended to read:

Subd. 4. [LOCATION AND ESTABLISHMENT; COMMISSIONER'S REVIEW.] The county boards of the several counties shall by resolution and subject to the concurrence of the commissioner locate and establish a system of county state-aid highways in accordance with the rules made and promulgated by the commissioner. It shall be the duty of the commissioner to review each system considering the availability of funds and the desirability of each system in relation to an integrated and coordinated system of highways. After review the commissioner shall by written order approve each system or any part thereof which in the commissioner's judgment is feasible and desirable. A certified copy of the order shall be filed with the ~~county auditor and the~~ county engineer.

Sec. 14. Minnesota Statutes 2002, section 162.09, subdivision 1, is amended to read:

Subdivision 1. [CREATION; MILEAGE LIMITATION; RULES.] There is created a municipal state-aid street system within statutory and home rule charter cities having a population of 5,000 or more. The extent of the municipal state-aid street system for a city shall not exceed: (1) 20 percent of the total miles of city streets and county roads partially or totally within the jurisdiction of that city, plus (2) the mileage of all trunk highways reverted or turned back to the jurisdiction of the city pursuant to law on and after July 1, 1965, plus (3) the mileage of county highways reverted or turned back to the jurisdiction of the city pursuant to law on or after May 11, 1994. For purposes of this subdivision, the total miles of city streets and county roads within the jurisdiction of a city includes all miles of county highways turned back to that city's jurisdiction on or after May 11, 1994. The system shall be established, located, constructed, reconstructed, improved, and maintained as public highways partially or totally within such cities under rules, not inconsistent with this section, made and promulgated by the commissioner as hereinafter provided.

Sec. 15. Minnesota Statutes 2002, section 163.07, subdivision 2, is amended to read:

Subd. 2. [QUALIFICATIONS, SALARY AND TERM.] The county highway engineer shall be a registered highway or civil engineer, registered under the laws of the state of Minnesota. ~~The county highway engineer may be selected from a list of eligible registered highway engineers prepared by the commissioner of transportation. The~~



~~list shall be submitted by the commissioner of transportation to any county board requesting same.~~ The county board may appoint a new county engineer for a term of only one year. All reappointments shall be for a term of four years, and shall be made in May of the year in which the term expires. The county highway engineer shall be a citizen and resident of this state. The county highway engineer's salary shall be fixed by the county board and shall be payable the same as other county officers are paid. The salary shall not be reduced during the county highway engineer's term of office.

Sec. 16. Minnesota Statutes 2002, section 163.11, is amended by adding a subdivision to read:

Subd. 4a. [DESIGNATION AS COUNTY CARTWAY.] A county board that has vacated a county highway under subdivision 4 may designate, as part of the vacating resolution, the former county highway as a county cartway. A highway designated as a county cartway is a county highway for purposes of this chapter, but the county board may not expend money from its road and bridge fund on the maintenance or improvement of a county cartway unless the county board determines that the expenditure is in the public interest. With the exception of the process provided in subdivision 5a, a county highway right-of-way that has been vacated, extinguished, or otherwise removed from the county highway system may not revert to a town.

Sec. 17. Minnesota Statutes 2002, section 163.11, is amended by adding a subdivision to read:

Subd. 9. [TRANSFER OF JURISDICTION OVER COUNTY HIGHWAY.] Notwithstanding subdivision 5, the county board may transfer jurisdiction and ownership of a county highway to another road authority, an agency of the United States, an agency of the state, or to an Indian tribe upon agreement between the county and the authority, agency, or tribe to which the transfer is being made. Subdivision 5a provides the exclusive method of county highway reversion to towns.

Sec. 18. Minnesota Statutes 2002, section 164.12, is amended to read:

164.12 [ROAD ON TOWN LINE.]

Subdivision 1. [PROPOSAL TO ESTABLISH; MAINTAIN.] When adjoining towns propose to establish, alter, ~~or vacate,~~ or maintain a road on or along the line between such towns they shall proceed as hereinafter provided.

Subd. 2. [DIVISION OF RESPONSIBILITIES.] The town boards shall divide the length of the road proposed to be established, altered, ~~or vacated,~~ or maintained into two parts. When it is proposed to establish or alter a road, the division shall be made so as to divide as nearly equal as possible the cost of right-of-way, construction, and maintenance of the entire road. If the proposal is to vacate a road, the division shall be made so as to divide as nearly equal as possible any damages that may be occasioned thereby.

Subd. 3. [AGREEMENT.] After the division the boards shall enter into an agreement specifying which part shall be vacated, or opened, constructed, and maintained by each. Thereafter, each board shall proceed in the manner and subject to the same review as provided in section 164.06 or section 164.07.

Subd. 4. [JOINT CONTRACT.] When a town line road is established ~~or,~~ altered, or maintained as provided herein, the boards may jointly let a contract covering all or part of the work to be performed on the road. If a joint contract is not let each town board shall open and construct its portion thereof as expeditiously as possible.

Subd. 5. [PORTION OF ROAD TAKEN BY STATE OR COUNTY.] If a portion of a town line road is taken over by the state as a trunk highway, or by a county as a county state-aid highway or county highway, the town boards concerned shall divide the portions of the town line road not taken over by the state or county, so that the cost of construction, reconstruction, and maintenance thereof will be apportioned as nearly equal as possible. After such division the boards shall enter into an agreement specifying which part shall be constructed and maintained by each.

Subd. 6. [FAILURE TO AGREE.] (a) When the town boards cannot agree upon a division as provided in subdivision 2 or subdivision 5, or upon the petition of either town board when a division previously agreed upon has proved to be inequitable, the county board, or where the road is on a county line the county boards of the counties concerned, shall determine the proper division of responsibility. In making such division the county board or boards shall follow the procedure provided for in subdivision 2 or 5. Where deemed necessary the services of the county engineer may be used.

(b) When for any reason an agreement under paragraph (a) cannot be reached, the town board of either or both towns may request to have the matter determined through mediation, arbitration, mediation-arbitration (med-arb), or other form of alternative dispute resolution as described in Rule 114.02 of the General Rules of Practice for the District Courts. The parties may select a neutral who does not qualify under Rule 114.02. Mediated settlement agreements must be in accordance with the Minnesota Civil Mediation Act, sections 572.31 to 572.40. Arbitrated agreements and med-arb agreements must be final and binding.

Sec. 19. Minnesota Statutes 2002, section 168.011, subdivision 22, is amended to read:

Subd. 22. [SPECIAL MOBILE EQUIPMENT.] "Special mobile equipment" means every vehicle not designed or used primarily for the transportation of persons or property and only incidentally operated or moved over a highway, including but not limited to: ditch-digging apparatuses, moving dollies, pump hoists and other water well-drilling equipment registered under chapter 103I, street-sweeping vehicles, and other machinery such as asphalt spreaders, bituminous mixers, bucket loaders, tractors other than truck-tractors, ditchers, leveling graders, finishing machines, motor graders, road rollers, scarifiers, truck-mounted log loaders, earth-moving carryalls, scrapers, power shovels, draglines, self-propelled cranes, and earth-moving equipment. The term does not include travel trailers, dump trucks, truck-mounted transit mixers, truck-mounted feed grinders, or other motor vehicles designed for the transportation of persons or property to which machinery has been attached.

Sec. 20. Minnesota Statutes 2002, section 168.013, subdivision 3, is amended to read:

Subd. 3. [APPLICATION; CANCELLATION; EXCESSIVE GROSS WEIGHT FORBIDDEN.] (a) The applicant for all licenses based on gross weight shall state the unloaded weight of the motor vehicle, trailer, or semitrailer and the maximum load the applicant proposes to carry on it, the sum of which constitutes the gross weight upon which the license tax must be paid. However, the declared gross weight upon which the tax is paid must not be less than 1-1/4 times the declared unloaded weight of the motor vehicle, trailer, or semitrailer to be registered, except recreational vehicles taxed under subdivision 1g, school buses taxed under subdivision 18, and tow trucks or towing vehicles defined in section 169.01, subdivision 52. The gross weight of a tow truck or towing vehicle is the actual weight of the tow truck or towing vehicle fully equipped, but does not include the weight of a wrecked or disabled vehicle towed or drawn by the tow truck or towing vehicle.

(b) The gross weight of a motor vehicle, trailer, or semitrailer must not exceed the gross weight upon which the license tax has been paid by more than four percent or 1,000 pounds, whichever is greater; provided that, a vehicle transporting unfinished forest products on a highway, other than a highway that is part of the system of interstate and defense highways, unless a federal exemption is granted, in accordance with paragraph (d)(3):

(1) shall not exceed its gross vehicle weight upon which the license tax has been paid, or gross axle weight on any axle, by more than five percent and, notwithstanding other law to the contrary, is not subject to any fee, fine, or other assessment or penalty for exceeding a gross vehicle or axle weight by up to five percent; and

(2) between the dates set by the commissioner in accordance with section 169.826, subdivision 1, is not subject to any provision of paragraph (d) or chapter 169 limiting the gross axle weight of any individual axle unless the entire vehicle also exceeds its gross vehicle weight plus its weight allowance allowed in clause (1) and plus any weight allowance permitted under section 169.826, in which case the vehicle is subject to all applicable penalties for excess weight violations.

(c) The gross weight of the motor vehicle, trailer, or semitrailer for which the license tax is paid must be indicated by a distinctive character on the license plate or plates except as provided in subdivision 12 and the plate or plates must be kept clean and clearly visible at all times.

(d) The owner, driver, or user of a motor vehicle, trailer, or semitrailer, upon conviction for transporting a gross weight in excess of the gross weight for which it was registered or for operating a vehicle with an axle weight exceeding the maximum lawful axle load weight, is guilty of a misdemeanor and subject to increased registration or reregistration according to the following schedule:

(1) Upon conviction for transporting a gross weight in excess of the gross weight for which a motor vehicle, trailer, or semitrailer is registered by more than the allowance set forth in paragraph (b) but less than 25 percent, or for operating or using a motor vehicle, trailer, or semitrailer with an axle weight exceeding the maximum lawful axle load as provided in sections 169.822 to 169.829 by more than the allowance set forth in paragraph (b) but less than 25 percent, the owner, driver, or user of the motor vehicle, trailer, or semitrailer used to commit the violation, in addition to any penalty imposed for the misdemeanor, shall apply to the registrar to increase the authorized gross weight to be carried on the vehicle to a weight equal to or greater than the gross weight the owner, driver, or user was convicted of carrying. The increase is computed for the balance of the calendar year on the basis of 1/12 of the annual tax for each month remaining in the calendar year beginning with the first day of the month in which the violation occurred. If the additional registration tax computed upon that weight, plus the tax already paid, amounts to more than the regular tax for the maximum gross weight permitted for the vehicle under sections 169.822 to 169.829, that additional amount must nevertheless be paid into the highway fund, but the additional tax thus paid does not authorize or permit any person to operate the vehicle with a gross weight in excess of the maximum legal weight as provided by sections 169.822 to 169.829. Unless the owner within 30 days after a conviction applies to increase the authorized weight and pays the additional tax as provided in this section, the registrar shall revoke the registration on the vehicle and demand the return of the registration card and plates issued on that registration.

(2) Upon conviction of an owner, driver, or user of a motor vehicle, trailer, or semitrailer for transporting a gross weight in excess of the gross weight for which the motor vehicle, trailer, or semitrailer was registered by 25 percent or more or for operating or using the vehicle or trailer with an axle weight exceeding the maximum lawful axle load as provided in sections 169.822 to 169.829 by 25 percent or more, and in addition to any penalty imposed for the misdemeanor, the registrar shall either (i) cancel the reciprocity privileges on the vehicle involved if the vehicle is being operated under reciprocity or (ii) if the vehicle is not being operated under reciprocity, cancel the certificate of registration on the vehicle operated and demand the return of the registration certificate and registration plates. The registrar may not cancel the registration or reciprocity privileges for any vehicle found in violation of seasonal load restrictions imposed under section 169.87 unless the axle weight exceeds the year-round weight limit for the highway on which the violation occurred. The registrar may investigate any allegation of gross weight violations and demand that the operator show cause why all future operating privileges in the state should not be revoked unless the additional tax assessed is paid.

(3) Clause (1) does not apply to the first haul of unprocessed or raw farm products or unfinished forest products, when the registered gross weight is not exceeded by more than ten percent. For purposes of this clause, "first haul" means (i) the first, continuous transportation of unprocessed or raw farm products from the place of production or on-farm storage site to any other location within 50 miles of the place of production or on-farm storage site, or (ii) the continuous or noncontinuous transportation of unfinished forest products from the place of production to the place of final processing or manufacture located within 200 miles of the place of production.

(4) When the registration on a motor vehicle, trailer, or semitrailer is revoked by the registrar according to this section, the vehicle must not be operated on the highways of the state until it is registered or reregistered, as the case may be, and new plates issued, and the registration fee is the annual tax for the total gross weight of the vehicle at the time of violation. The reregistration pursuant to this subdivision of any vehicle operating under reciprocity agreements pursuant to section 168.181 or 168.187 must be at the full annual registration fee without regard to the percentage of vehicle miles traveled in this state.

Sec. 21. Minnesota Statutes 2002, section 168.12, subdivision 2e, is amended to read:

Subd. 2e. [VOLUNTEER AMBULANCE ATTENDANTS; SPECIAL PLATES.] (a) The registrar shall issue special license plates to an applicant who is a volunteer ambulance attendant as defined in section 144E.001, subdivision 15, and who owns or jointly owns a motor vehicle taxed as a passenger automobile. The registrar shall issue the special plates on payment of the registration tax required by law for the vehicle, compliance with all other applicable laws relating to registration and licensing of motor vehicles and drivers, and payment of an additional fee of \$10. The registrar shall not issue more than ~~one set~~ two sets of these plates to each qualified applicant.

(b) A person may use special plates issued under this subdivision only during the period that the person is a volunteer ambulance attendant. When the person to whom the special plates were issued ceases to be a volunteer ambulance attendant, ~~or the person shall return each set of special plates issued to that person.~~ When ownership of ~~the~~ a vehicle is transferred, the person shall remove the special plates from ~~the~~ that vehicle and return them to the registrar. On return of ~~the~~ each set of plates, the owner of the vehicle, or new owner in case of a transferred vehicle, is entitled to receive regular license plates for the vehicle without cost for the rest of the registration period for which the set of special plates were issued. Special plates issued under this subdivision may be transferred to another vehicle owned by the volunteer ambulance attendant on payment of a fee of \$5.

(c) The fees specified in this subdivision must be paid into the state treasury and deposited in the highway user tax distribution fund.

(d) The commissioner may adopt rules governing the design, issuance, and sale of the special plates authorized by this subdivision.

Sec. 22. Minnesota Statutes 2002, section 168.12, subdivision 5, is amended to read:

Subd. 5. [ADDITIONAL FEE.] (a) In addition to any fee otherwise authorized or any tax otherwise imposed upon any motor vehicle, the payment of which is required as a condition to the issuance of any number license plate or plates, the commissioner of public safety ~~may~~ shall impose ~~a~~ the fee specified in paragraph (b) that is calculated to cover the cost of manufacturing and issuing the license plate or plates, except for license plates issued to disabled veterans as defined in section 168.031 and license plates issued pursuant to section 168.124, 168.125, or 168.27, subdivisions 16 and 17, for passenger automobiles. Graphic design license plates shall only be issued for vehicles registered pursuant to section 168.017 and recreational vehicles registered pursuant to section 168.013, subdivision 1g.

(b) Unless otherwise specified or exempted by statute, the following plate and validation sticker fees apply for the original, duplicate, or replacement issuance of a plate in a plate year:

|  |                |
|--|----------------|
| <u>Sequential Double Plate</u>         | <u>\$4.25</u>  |
| <u>Sequential Special Plate-Double</u> | <u>\$7.00</u>  |
| <u>Sequential Single Plate</u>         | <u>\$3.00</u>  |
| <u>Sequential Special Plate-Single</u> | <u>\$5.50</u>  |
| <u>Self-Adhesive Plate</u>             | <u>\$2.50</u>  |
| <u>Nonsequential Double Plate</u>      | <u>\$14.00</u> |
| <u>Nonsequential Single Plate</u>      | <u>\$10.00</u> |
| <u>Duplicate Sticker</u>               | <u>\$1.00</u>  |

(c) Fees collected under this subdivision must be paid into the state treasury and credited to the highway user tax distribution fund.

Sec. 23. [168.1293] [SPECIAL LICENSE PLATES; AUTHORIZATION; DISCONTINUANCE.]

Subdivision 1. [DEFINITION.] For purposes of this section and section 168.1297 "special license plate" means a license plate that is authorized by law to have wording and graphics that differ from a Minnesota passenger vehicle license plate.

Subd. 2. [SUBMISSIONS TO DEPARTMENT.] (a) A person, legal entity, or other requester, however organized, that plans to seek legislation establishing a new special license plate shall submit the following information and fee to the department of public safety:

(1) The requester shall submit a request for the special license plate being sought, describing the proposed license plate in general terms, the purpose of the plate, and the proposed fee or minimum contribution required for the plate.

(2) The requester shall submit the results of a scientific sample survey of Minnesota motor vehicle owners that indicates that at least 10,000 motor vehicle owners intend to purchase the proposed plate with the proposed fee or minimum contribution. The requester's plan to undertake the survey must be reported to the department before the survey is undertaken. The survey must be performed independently of the requester by another person or legal entity, however organized, that conducts similar sample surveys in the normal course of business.

(3) The requester shall submit an application fee of \$20,000, to cover the department's cost of reviewing the application and developing the special license plate if authorized. State funds may not be used to pay the application fee.

(4) The requester shall submit a marketing strategy that contains (i) short-term and long-term marketing plans for the requested plate, and (ii) a financial analysis showing the anticipated revenues and the planned expenditures of any fee or contribution derived from the requested plate.

(b) The requester shall submit the information required under paragraph (a) to the department at least 120 days before the convening of the next regular legislative session at which the requester will submit the proposal.

Subd. 3. [DESIGN; REDESIGN.] (a) If the special license plate sought by the requester is approved by law, the requester shall submit the proposed design for the plate to the department as soon as practicable, but not later than 120 days after the effective date of the law authorizing issuance of the plate. The department is responsible for selecting the final design for the special license plate.

(b) The requester that originally requested a special license plate subsequently approved by law may not submit a new design for the plate within the five years following the date of first issuance of the plate unless the inventory of those plates has been exhausted. The requester may deplete the remaining inventory of the plates by reimbursing the department for the cost of the plates.

Subd. 4. [REFUND OF FEE.] If the special license plate requested is not authorized in the legislative session at which authorization was sought, the department shall refund \$17,500 of the application fee to the requester.

Subd. 5. [DISCONTINUANCE OF PLATE.] (a) The department shall discontinue the issuance or renewal of any special license plate if (1) fewer than 1,000 sets of those plates are currently registered at the end of the first six years during which the plates are available, or (2) fewer than 1,000 sets of those plates are currently registered at the end of any subsequent two-year period following the first six years of availability.

(b) The department may discontinue the issuance or renewal of any special license plate, and distribution of any contributions resulting from that plate, if the department determines that (1) the fund or requester receiving the contributions no longer exists, (2) the requester has stopped providing services that are authorized to be funded from the contribution proceeds, (3) the requester has requested discontinuance, or (4) contributions have been used in violation of subdivision 6.

(c) Nothing in this subdivision applies to license plates issued under section 168.123, 168.124, 168.125, or 168.1255.

Subd. 6. [USE OF CONTRIBUTIONS.] Contributions made as a condition of obtaining a special license plate, and interest earned on the contributions, may not be spent for commercial or for-profit purposes.

Subd. 7. [DEPOSIT OF FEE; APPROPRIATION.] The commissioner shall deposit the application fee under subdivision 2, paragraph (a), clause (3), in the highway user tax distribution fund. An amount sufficient to pay the department's cost in implementing and administering this section, including payment of refunds under subdivision 4, is appropriated to the commissioner.

Sec. 24. [168.1297] [SPECIAL "ROTARY MEMBER" LICENSE PLATES.]

Subdivision 1. [GENERAL REQUIREMENTS AND PROCEDURES.] The registrar shall issue special "Rotary member" license plates to an applicant who:

- (1) is an owner or joint owner of a passenger automobile, pickup truck, or van;
- (2) pays a fee of \$10 to cover the costs of handling and manufacturing the plates;
- (3) pays the registration tax required under section 168.013;
- (4) pays the fees required under this chapter;
- (5) submits proof to the registrar that the applicant is a member of Rotary International; and
- (6) complies with laws and rules governing registration and licensing of vehicles and drivers.

Subd. 2. [DESIGN.] A special license plate under this section consists of a special license plate as described in section 168.1291 with a unique symbol that is the recognized emblem of Rotary International.

Subd. 3. [COMPLIANCE WITH OTHER LAW.] The commissioner shall take no action under this section unless the commissioner determines that Rotary International, or one or more districts of Rotary International, has complied with section 168.1293, subdivision 2, paragraph (a). Issuance and renewal of license plates under this section are subject to section 168.1293, subdivisions 3 to 6.

Sec. 25. Minnesota Statutes 2002, section 168.54, subdivision 4, is amended to read:

Subd. 4. [TRANSFER FEE.] A fee of \$2 ~~\$3~~ is imposed upon every transfer of ownership by the commissioner of public safety of any motor vehicle for which a registration certificate has heretofore been issued under this chapter, except vehicles sold for the purposes of salvage or dismantling or permanent removal from the state.

Sec. 26. Minnesota Statutes 2002, section 168A.29, subdivision 1, is amended to read:

Subdivision 1. [AMOUNTS.] (a) The department shall be paid the following fees:

(1) for filing an application for and the issuance of an original certificate of title, the sum of ~~\$2~~ \$3;

(2) for each security interest when first noted upon a certificate of title, including the concurrent notation of any assignment thereof and its subsequent release or satisfaction, the sum of \$2, except that no fee is due for a security interest filed by a public authority under section 168A.05, subdivision 8;

(3) for the transfer of the interest of an owner and the issuance of a new certificate of title, the sum of ~~\$2~~ \$3;

(4) for each assignment of a security interest when first noted on a certificate of title, unless noted concurrently with the security interest, the sum of \$1;

(5) for issuing a duplicate certificate of title, the sum of \$4.

(b) After June 30, 1994, in addition to each of the fees required under paragraph (a), clauses (1) and (3), the department shall be paid \$3.50. The additional fee collected under this paragraph must be deposited in the special revenue fund and credited to the public safety motor vehicle account established in section 299A.70.

Sec. 27. Minnesota Statutes 2002, section 169.14, subdivision 5a, is amended to read:

Subd. 5a. [SPEED ZONING IN SCHOOL ZONE; SURCHARGE.] (a) Local authorities may establish a school speed limit within a school zone of a public or nonpublic school upon the basis of an engineering and traffic investigation as prescribed by the commissioner of transportation. The establishment of a school speed limit on any trunk highway shall be with the consent of the commissioner of transportation. Such school speed limits shall be in effect when children are present, going to or leaving school during opening or closing hours or during school recess periods. The school speed limit shall not be lower than 15 miles per hour and shall not be more than ~~20~~ 30 miles per hour below the established speed limit on an affected street or highway ~~if the established speed limit is 40 miles per hour or greater.~~

(b) The school speed limit shall be effective upon the erection of appropriate signs designating the speed and indicating the beginning and end of the reduced speed zone. Any speed in excess of such posted school speed limit is unlawful. All such signs shall be erected by the local authorities on those streets and highways under their respective jurisdictions and by the commissioner of transportation on trunk highways.

(c) For the purpose of this subdivision, "school zone" means that section of a street or highway which abuts the grounds of a school where children have access to the street or highway from the school property or where an established school crossing is located provided the school advance sign prescribed by the manual on uniform traffic control devices adopted by the commissioner of transportation pursuant to section 169.06 is in place. All signs erected by local authorities to designate speed limits in school zones shall conform to the manual on uniform control devices.

(d) Notwithstanding section 609.0331 or 609.101 or other law to the contrary, a person who violates a speed limit established under this subdivision is assessed an additional surcharge equal to the amount of the fine imposed for the violation, but not less than \$25.

Sec. 28. Minnesota Statutes 2002, section 169.448, subdivision 1, is amended to read:

Subdivision 1. [RESTRICTIONS ON APPEARANCE; MISDEMEANOR.] (a) A bus that is not used as a school bus may not be operated on a street or highway unless it is painted a color significantly different than national school bus glossy yellow.

(b) A bus that is not used as a school bus or Head Start bus may not be operated if it is equipped with school bus or Head Start bus-related equipment and printing.

(c) A violation of this subdivision is a misdemeanor.

(d) This subdivision does not apply to a school bus owned by or under contract to a school district operated as a charter or leased bus.

(e) This subdivision does not apply to a school bus operated by a licensed child care provider if:

(1) the stop arm is removed;

(2) the eight-light system is deactivated;

(3) the school bus is identified as a "child care bus" in letters at least eight inches high on the front and rear top of the bus; ~~and~~

(4) the name, address, and telephone number of the owner or operator of the bus is identified on each front door of the bus in letters not less than three inches high; and

(5) the conditions under section 171.02, subdivision 2a, paragraph (b), clauses (1) through (10), (12), and (14) have been met.

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

Sec. 29. Minnesota Statutes 2002, section 169.791, subdivision 1, is amended to read:

Subdivision 1. [TERMS DEFINED.] (a) For purposes of this section and sections 169.792 to ~~169.799~~ 169.798, the following terms have the meanings given.

(b) "Commissioner" means the commissioner of public safety.

(c) "District court administrator" or "court administrator" means the district court administrator or a deputy district court administrator of the district court that has jurisdiction of a violation of this section.

(d) "Insurance identification card" means a card issued by an obligor to an insured stating that security as required by section 65B.48 has been provided for the insured's vehicle.

(e) "Law enforcement agency" means the law enforcement agency that employed the peace officer who demanded proof of insurance under this section or section 169.792.

(f) "Peace officer" or "officer" means an employee of a political subdivision or state law enforcement agency, including the Minnesota state patrol, who is licensed by the Minnesota board of peace officer standards and training and is authorized to make arrests for violations of traffic laws.



(g) "Proof of insurance" means an insurance identification card, written statement, or insurance policy as defined by section 65B.14, subdivision 2.

(h) "Vehicle" means a motor vehicle as defined in section 65B.43, subdivision 2, or a motorcycle as defined in section 65B.43, subdivision 13.

(i) "Written statement" means a written statement by a licensed insurance agent stating the name and address of the insured, the vehicle identification number of the insured's vehicle, that a plan of reparation security as required by section 65B.48 has been provided for the insured's vehicle, and the dates of the coverage.

(j) The definitions in section 65B.43 apply to sections 169.792 to ~~169.799~~ 169.798.

Sec. 30. Minnesota Statutes 2002, section 169.796, is amended by adding a subdivision to read:

Subd. 3. [SAMPLING TO VERIFY INSURANCE COVERAGE.] (a) The commissioner of public safety shall implement a monthly sampling program to verify insurance coverage. The sample must annually include at least two percent of all drivers who own motor vehicles, as defined in section 168.011, licensed in the state, one-half of whom during the previous year have been convicted of at least one vehicle insurance law violation, have had a driver's license revoked or suspended due to habitual violation of traffic laws, have had no insurance in effect at the time of a reportable crash, or have been convicted of an alcohol-related motor vehicle offense. No sample may be selected based on race, religion, physical or mental disability, economic status, or geographic location.

(b) The commissioner shall request each vehicle owner included in the sample to furnish insurance coverage information to the commissioner within 30 days. The request must require the owner to state whether or not all motor vehicles owned by that person were insured on the verification date stated in the commissioner's request. The request may require, but is not limited to, a signed statement by the owner that the information is true and correct, the names and addresses of insurers, policy numbers, and expiration or renewal dates of insurance coverage.

(c) The commissioner shall conduct a verification of the response by transmitting necessary information to the insurance companies named in the owner's response.

(d) The insurance companies shall electronically notify the commissioner, within 30 days of the commissioner's request, of any false statements regarding coverage.

(e) The commissioner shall suspend, without preliminary hearing, the driver's license, if any, of a vehicle owner who falsely claims coverage, who indicates that coverage was not in effect at the time specified in the request, or who fails to respond to the commissioner's request to furnish proof of insurance. The commissioner shall comply with the notice requirement of section 171.18, subdivision 2.

(f) Before reinstatement of the driver's license, there must be filed with the commissioner of public safety the written certificate of an insurance carrier authorized to do business in the state stating that security has been provided as required by section 65B.48. The commissioner of public safety may require the certificate of insurance provided to satisfy this subdivision to be certified by the insurance carrier for a period not to exceed one year. The commissioner of public safety may also require a certificate of insurance to be filed with respect to all vehicles required to be insured under section 65B.48 and owned by any person whose driving privileges have been suspended as provided in this section before reinstating the person's driver's license.

Sec. 31. Minnesota Statutes 2002, section 169.797, subdivision 4a, is amended to read:

Subd. 4a. [REGISTRATION REVOCATION AND LICENSE SUSPENSION.] The commissioner of public safety shall revoke the registration of any vehicle and ~~may~~ shall suspend the driver's license of any operator, without preliminary hearing upon a showing by department records, including accident reports required to be submitted by

section 169.09, or other sufficient evidence that security required by section 65B.48 has not been provided and maintained. Before reinstatement of the registration, there shall be filed with the commissioner of public safety the written certificate of an insurance carrier authorized to do business in the state stating that security has been provided as required by section 65B.48. The commissioner of public safety may require the certificate of insurance provided to satisfy this subdivision to be certified by the insurance carrier to be noncancelable for a period not to exceed one year. The commissioner of public safety may also require a certificate of insurance to be filed with respect to all vehicles required to be insured under section 65B.48 and owned by any person whose driving privileges have been suspended or revoked as provided in this section before reinstating the person's driver's license.

Sec. 32. Minnesota Statutes 2002, section 169.798, subdivision 1, is amended to read:

Subdivision 1. [AUTHORITY.] The commissioner of public safety shall have the power and perform the duties imposed by this section and sections 65B.41 to 65B.71, this section, and sections 169.797 and 169.799, and may adopt rules to implement and provide effective administration of the provisions requiring security and governing termination of security.

Sec. 33. Minnesota Statutes 2002, section 169.798, is amended by adding a subdivision to read:

Subd. 4. [ATTESTATION OF INSURANCE REQUIRED.] Every owner, when applying for motor vehicle or motorcycle registration, reregistration, or transfer of ownership, must attest that the motor vehicle or motorcycle is covered by an insurance policy.

Sec. 34. Minnesota Statutes 2002, section 169.826, subdivision 1, is amended to read:

Subdivision 1. [WINTER INCREASE AMOUNTS.] The limitations provided in sections 169.822 to 169.829 are increased:

~~(1) by ten percent between the dates set by the commissioner for each zone established by the commissioner based on a freezing index model each winter, statewide;~~

~~(2) by ten percent between the dates set by the commissioner based on a freezing index model each winter, in the zone bounded as follows: beginning at Pigeon River in the northeast corner of Minnesota; thence in a southwesterly direction along the north shore of Lake Superior to the northeastern city limits of Duluth; thence along the eastern and southern city limits of Duluth to the junction with trunk highway No. 210; thence westerly along trunk highway No. 210 to the junction with trunk highway No. 10; thence northwesterly along trunk highway No. 10 to the Minnesota-North Dakota border; thence northerly along that border to the Minnesota-Canadian Border; thence easterly along said Border to Lake Superior; and~~

~~(3) Subd. 1a. [HARVEST SEASON INCREASE AMOUNT.] The limitations provided in sections 169.822 to 169.829 are increased by ten percent from the beginning of harvest to November 30 each year for the movement of sugar beets, carrots, and potatoes from the field of harvest to the point of the first unloading. Transfer of the product from a farm vehicle or small farm trailer, within the meaning of chapter 168, to another vehicle is not considered to be the first unloading. The commissioner shall not issue permits under this ~~clause~~ subdivision if to do so will result in a loss of federal highway funding to the state.~~

Sec. 35. Minnesota Statutes 2002, section 169.826, is amended by adding a subdivision to read:

Subd. 1b. [NINE-TON COUNTY ROADS.] Despite the provisions of subdivision 5 and sections 169.824, subdivision 2, paragraph (a), clause (2), and 169.832, subdivision 11, a vehicle or combination of vehicles with a gross vehicle weight up to 88,000 pounds may be operated on a nine-ton county road, consistent with the increases allowed for vehicles operating on a ten-ton road, during the time when the increases under subdivision 1 are in effect in that zone.

Sec. 36. Minnesota Statutes 2002, section 169.85, subdivision 2, is amended to read:

Subd. 2. [UNLOADING.] (a) Upon weighing a vehicle and load, as provided in this section, an officer may require the driver to stop the vehicle in a suitable place and remain standing until a portion of the load is removed that is sufficient to reduce the gross weight of the vehicle to the limit permitted under either section 168.013, subdivision 3, paragraph (b), or sections 169.822 to 169.829, whichever is the lesser violation, if any. A suitable place is a location where loading or tampering with the load is not prohibited by federal, state, or local law, rule, or ordinance.

(b) Except as provided in paragraph (c), a driver may be required to unload a vehicle only if the weighing officer determines that (1) on routes subject to the provisions of sections 169.822 to 169.829, the weight on an axle exceeds the lawful gross weight prescribed by sections 169.822 to 169.829, by 2,000 pounds or more, or the weight on a group of two or more consecutive axles in cases where the distance between the centers of the first and last axles of the group under consideration is ten feet or less exceeds the lawful gross weight prescribed by sections 169.822 to 169.829, by 4,000 pounds or more; or (2) on routes designated by the commissioner in section 169.832, subdivision 11, the overall weight of the vehicle or the weight on an axle or group of consecutive axles exceeds the maximum lawful gross weights prescribed by sections 169.822 to 169.829; or (3) the weight is unlawful on an axle or group of consecutive axles on a road restricted in accordance with section 169.87. Material unloaded must be cared for by the owner or driver of the vehicle at the risk of the owner or driver.

(c) If the gross weight of the vehicle does not exceed the vehicle's registered gross weight plus the weight allowance set forth in section 168.013, subdivision 3, paragraph (b), and plus, if applicable, the weight allowance permitted under section 169.826, then the driver is not required to unload under paragraph (b).

Sec. 37. Minnesota Statutes 2002, section 169.86, subdivision 5, is amended to read:

Subd. 5. [FEE; PROCEEDS TO TRUNK HIGHWAY FUND.] The commissioner, with respect to highways under the commissioner's jurisdiction, may charge a fee for each permit issued. All such fees for permits issued by the commissioner of transportation shall be deposited in the state treasury and credited to the trunk highway fund. Except for those annual permits for which the permit fees are specified elsewhere in this chapter, the fees shall be:

(a) \$15 for each single trip permit.

(b) \$36 for each job permit. A job permit may be issued for like loads carried on a specific route for a period not to exceed two months. "Like loads" means loads of the same product, weight, and dimension.

(c) \$60 for an annual permit to be issued for a period not to exceed 12 consecutive months. Annual permits may be issued for:

- (1) motor vehicles used to alleviate a temporary crisis adversely affecting the safety or well-being of the public;
- (2) motor vehicles which travel on interstate highways and carry loads authorized under subdivision 1a;
- (3) motor vehicles operating with gross weights authorized under section 169.826, subdivision 4, ~~clause (3)~~ 1a;
- (4) special pulpwood vehicles described in section 169.863;
- (5) motor vehicles bearing snowplow blades not exceeding ten feet in width; and
- (6) noncommercial transportation of a boat by the owner or user of the boat.

(d) \$120 for an oversize annual permit to be issued for a period not to exceed 12 consecutive months. Annual permits may be issued for:

- (1) mobile cranes;
- (2) construction equipment, machinery, and supplies;
- (3) manufactured homes;
- (4) implements of husbandry when the movement is not made according to the provisions of paragraph (i);
- (5) double-deck buses;
- (6) commercial boat hauling.

(e) For vehicles which have axle weights exceeding the weight limitations of sections 169.822 to 169.829, an additional cost added to the fees listed above. However, this paragraph applies to any vehicle described in section 168.013, subdivision 3, paragraph (b), but only when the vehicle exceeds its gross weight allowance set forth in that paragraph, and then the additional cost is for all weight, including the allowance weight, in excess of the permitted maximum axle weight. The additional cost is equal to the product of the distance traveled times the sum of the overweight axle group cost factors shown in the following chart:

#### Overweight Axle Group Cost Factors

| Weight (pounds)<br>exceeding<br>weight limitations<br>on axles | Cost Per Mile For Each Group Of:                         |  |  |
|--|--|--|--|
|  | Two consecutive<br>axles spaced within<br>8 feet or less | Three consecutive<br>axles spaced within<br>9 feet or less | Four consecutive<br>axles spaced within<br>14 feet or less |
| 0-2,000  | .12  | .05  | .04  |
| 2,001-4,000  | .14  | .06  | .05  |
| 4,001-6,000  | .18  | .07  | .06  |
| 6,001-8,000  | .21  | .09  | .07  |
| 8,001-10,000   | .26  | .10  | .08  |
| 10,001-12,000  | .30  | .12  | .09  |
| 12,001-14,000  | Not permitted  | .14  | .11  |
| 14,001-16,000  | Not permitted  | .17  | .12  |
| 16,001-18,000  | Not permitted  | .19  | .15  |
| 18,001-20,000  | Not permitted  | Not permitted  | .16  |
| 20,001-22,000  | Not permitted  | Not permitted  | .20  |

The amounts added are rounded to the nearest cent for each axle or axle group. The additional cost does not apply to paragraph (c), clauses (1) and (3).

For a vehicle found to exceed the appropriate maximum permitted weight, a cost-per-mile fee of 22 cents per ton, or fraction of a ton, over the permitted maximum weight is imposed in addition to the normal permit fee. Miles must be calculated based on the distance already traveled in the state plus the distance from the point of detection to a transportation loading site or unloading site within the state or to the point of exit from the state.

(f) As an alternative to paragraph (e), an annual permit may be issued for overweight, or oversize and overweight, construction equipment, machinery, and supplies. The fees for the permit are as follows:

| Gross Weight (pounds) of Vehicle | Annual Permit Fee |
|----------------------------------|-------------------|
| 90,000 or less                   | \$200             |
| 90,001 - 100,000                 | \$300             |
| 100,001 - 110,000                | \$400             |
| 110,001 - 120,000                | \$500             |
| 120,001 - 130,000                | \$600             |
| 130,001 - 140,000                | \$700             |
| 140,001 - 145,000                | \$800             |

If the gross weight of the vehicle is more than 145,000 pounds the permit fee is determined under paragraph (e).

(g) For vehicles which exceed the width limitations set forth in section 169.80 by more than 72 inches, an additional cost equal to \$120 added to the amount in paragraph (a) when the permit is issued while seasonal load restrictions pursuant to section 169.87 are in effect.

(h) \$85 for an annual permit to be issued for a period not to exceed 12 months, for refuse-compactor vehicles that carry a gross weight of not more than: 22,000 pounds on a single rear axle; 38,000 pounds on a tandem rear axle; or, subject to section 169.828, subdivision 2, 46,000 pounds on a tridem rear axle. A permit issued for up to 46,000 pounds on a tridem rear axle must limit the gross vehicle weight to not more than 62,000 pounds.

(i) For vehicles exclusively transporting implements of husbandry, an annual permit fee of \$24. A vehicle operated under a permit authorized by this paragraph may be moved at the discretion of the permit holder without prior route approval by the commissioner if:

- (1) the total width of the transporting vehicle, including load, does not exceed 14 feet;
- (2) the vehicle is operated only between sunrise and 30 minutes after sunset, and is not operated at any time after 12:00 noon on Sundays or holidays;
- (3) the vehicle is not operated when visibility is impaired by weather, fog, or other conditions that render persons and other vehicles not clearly visible at 500 feet;
- (4) the vehicle displays at the front and rear of the load or vehicle a pair of flashing amber lights, as provided in section 169.59, subdivision 4, whenever the overall width of the vehicle exceeds 126 inches; and
- (5) the vehicle is not operated on a trunk highway with a surfaced roadway width of less than 24 feet unless such operation is authorized by the permit.

A permit under this paragraph authorizes movements of the permitted vehicle on an interstate highway, and movements of 75 miles or more on other highways.

Sec. 38. Minnesota Statutes 2002, section 171.02, subdivision 2a, is amended to read:

Subd. 2a. [EXCEPTIONS.] (a) Notwithstanding subdivision 2, (1) a hazardous materials endorsement is not required to operate a vehicle having a gross vehicle weight of 26,000 pounds or less while carrying in bulk tanks a total of not more than 200 gallons of petroleum products and (2) a class C license or hazardous materials endorsement is not required to operate a farm vehicle as defined in Code of Federal Regulations, title 49, section 390.5, having a gross vehicle weight of 26,000 pounds or less while carrying in bulk tanks a total of not more than 1,500 gallons of liquid fertilizer.

(b) Notwithstanding subdivision 2, paragraph (c), the holder of a class D driver's license, without a school bus endorsement, may operate a type A school bus described in subdivision 2, paragraph (b), under the following conditions:

(1) The operator is an employee of the entity that owns, leases, or contracts for the school bus and is not solely hired to provide transportation services under this paragraph.

(2) The operator drives the school bus only from points of origin to points of destination, not including home-to-school trips to pick up or drop off students.

(3) The operator is prohibited from using the eight-light system. Violation of this clause is a misdemeanor.

(4) The operator's employer has adopted and implemented a policy that provides for annual training and certification of the operator in:

- (i) safe operation of the type of school bus the operator will be driving;
- (ii) understanding student behavior, including issues relating to students with disabilities;
- (iii) encouraging orderly conduct of students on the bus and handling incidents of misconduct appropriately;
- (iv) knowing and understanding relevant laws, rules of the road, and local school bus safety policies;
- (v) handling emergency situations; and
- (vi) safe loading and unloading of students.

(5) A background check or background investigation of the operator has been conducted that meets the requirements under section 122A.18, subdivision 8, or 123B.03 for teachers; section 144.057 or 245A.04 for day care employees; or section 171.321, subdivision 3, for all other persons operating a type A school bus under this paragraph.

(6) Operators shall submit to a physical examination as required by section 171.321, subdivision 2.

(7) The operator's driver's license is verified annually by the entity that owns, leases, or contracts for the school bus.

(8) A person who sustains a conviction, as defined under section 609.02, of violating section 169A.25, 169A.26, 169A.27, 169A.31, 169A.51, or 169A.52, or a similar statute or ordinance of another state is precluded from operating a school bus for five years from the date of conviction.

(9) A person who has ever been convicted of a disqualifying offense as defined in section 171.3215, subdivision 1, paragraph (c), may not operate a school bus under this paragraph.

(10) A person who sustains a conviction, as defined under section 609.02, of a fourth moving offense in violation of chapter 169 is precluded from operating a school bus for one year from the date of the last conviction.

~~(4)~~ (11) Students riding the school bus must have training required under section 123B.90, subdivision 2.

~~(11)~~ (12) An operator must be trained in the proper use of child safety restraints as set forth in the National Highway Traffic Safety Administration's "Guideline for the Safe Transportation of Pre-school Age Children in School Buses."

~~(12)~~ (13) Annual certification of the requirements listed in this paragraph must be maintained under separate file at the business location for each operator licensed under this paragraph and subdivision 2, paragraph (b), clause (5). The business manager, school board, governing body of a nonpublic school, or any other entity that owns, leases, or contracts for the school bus operating under this paragraph is responsible for maintaining these files for inspection.

~~(13)~~ (14) The school bus must bear a current certificate of inspection issued under section 169.451.

~~(14)~~ (15) The word "School" on the front and rear of the bus must be covered by a sign that reads "Activities" when the bus is being operated under authority of this paragraph.

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

Sec. 39. Minnesota Statutes 2002, section 171.20, subdivision 4, is amended to read:

Subd. 4. [REINSTATEMENT FEE.] (a) Before the license is reinstated, (1) a person whose driver's license has been suspended under section 171.16, subdivision 2; 171.18, except subdivision 1, clause (10); or 171.182, or who has been disqualified from holding a commercial driver's license under section 171.165, and (2) a person whose driver's license has been suspended under section 171.186 and who is not exempt from such a fee, must pay a fee of \$20.

(b) Before the license is reinstated, a person whose license has been suspended or revoked under sections 169.791 to 169.798 must pay a \$20 reinstatement fee.

(c) When fees are collected by a licensing agent appointed under section 171.061, a handling charge is imposed in the amount specified under section 171.061, subdivision 4. The reinstatement fee and surcharge must be deposited in an approved state depository as directed under section 171.061, subdivision 4.

(d) A suspension may be rescinded without fee for good cause.

Sec. 40. Minnesota Statutes 2002, section 171.29, subdivision 2, is amended to read:

Subd. 2. [REINSTATEMENT FEES AND SURCHARGES, ALLOCATION.] (a) A person whose driver's license has been revoked as provided in subdivision 1, except under section 169A.52, 169A.54, or 609.21, shall pay a \$30 fee before the driver's license is reinstated.

(b) A person whose driver's license has been revoked as provided in subdivision 1 under section 169A.52, 169A.54, or 609.21, shall pay a \$250 fee plus a \$40 surcharge before the driver's license is reinstated. Beginning July 1, 2002, the surcharge is \$145. Beginning July 1, 2003, the surcharge is ~~\$380~~ \$430. The \$250 fee is to be credited as follows:

(1) Twenty percent must be credited to the trunk highway fund.

(2) Sixty-seven percent must be credited to the general fund.

(3) Eight percent must be credited to a separate account to be known as the bureau of criminal apprehension account. Money in this account may be appropriated to the commissioner of public safety and the appropriated amount must be apportioned 80 percent for laboratory costs and 20 percent for carrying out the provisions of section 299C.065.

(4) Five percent must be credited to a separate account to be known as the vehicle forfeiture account, which is created in the special revenue fund. The money in the account is annually appropriated to the commissioner for costs of handling vehicle forfeitures.

(c) The revenue from \$50 of each surcharge must be credited to a separate account to be known as the traumatic brain injury and spinal cord injury account. The money in the account is annually appropriated to the commissioner of health to be used as follows: 35 percent for a contract with a 83 percent for contracts with a qualified community-based organization to provide information, resources, and support to assist persons with traumatic brain injury and their families to access services, and 65 17 percent to maintain the traumatic brain injury and spinal cord injury registry created in section 144.662. For the purposes of this clause, a "qualified community-based organization" is a private, not-for-profit organization of consumers of traumatic brain injury services and their family members. The organization must be registered with the United States Internal Revenue Service under section 501(c)(3) as a tax-exempt organization and must have as its purposes:

(i) the promotion of public, family, survivor, and professional awareness of the incidence and consequences of traumatic brain injury;

(ii) the provision of a network of support for persons with traumatic brain injury, their families, and friends;

(iii) the development and support of programs and services to prevent traumatic brain injury;

(iv) the establishment of education programs for persons with traumatic brain injury; and

(v) the empowerment of persons with traumatic brain injury through participation in its governance.

No patient's name, identifying information, or identifiable medical data will be disclosed to the organization without the informed voluntary written consent of the patient or patient's guardian or, if the patient is a minor, of the parent or guardian of the patient.

~~(e)~~ (d) The remainder of the surcharge must be credited to a separate account to be known as the remote electronic alcohol-monitoring program account. The commissioner shall transfer the balance of this account to the commissioner of finance on a monthly basis for deposit in the general fund.

~~(d)~~ (e) When these fees are collected by a licensing agent, appointed under section 171.061, a handling charge is imposed in the amount specified under section 171.061, subdivision 4. The reinstatement fees and surcharge must be deposited in an approved state depository as directed under section 171.061, subdivision 4.

Sec. 41. Minnesota Statutes 2002, section 174.03, is amended by adding a subdivision to read:

Subd. 9. [FORECAST OF REVENUES AND EXPENDITURES.] In cooperation with the department of finance and as required by section 16A.103, the commissioner shall prepare in February and November of each year a forecast of highway user tax distribution fund and trunk highway fund revenues and expenditures. The forecast must include an analysis of economic information and the potential impact on highway user fund revenues, historical growth rate information, and other variables affecting revenue assumptions and forecasted future growth rates. The forecast must include an analysis of trunk highway bonding and the necessary debt service payments, and assumptions regarding federal transportation funds. The commissioner shall review the forecast information with the chairs of the senate and house of representatives committees with jurisdiction over finance, way and means, and transportation finance and with legislative fiscal staff no later than two weeks before the forecast is released and shall inform the chairs and staff of changes made from previous forecasts.



Sec. 42. Minnesota Statutes 2002, section 174.24, subdivision 1, is amended to read:

Subdivision 1. [ESTABLISHMENT; PURPOSE.] A public transit participation program is established to carry out the objectives stated in section 174.21 by providing financial assistance from the state, including the greater Minnesota transit fund established in section 16A.88, to eligible recipients outside of the metropolitan area.

Sec. 43. Minnesota Statutes 2002, section 174.24, subdivision 3b, is amended to read:

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

(b) Prior to distributing operating assistance to eligible recipients for any contract period, the commissioner shall place all recipients into one of the following classifications: urbanized area service, small urban area service, rural area service, and elderly and handicapped service. The commissioner shall distribute funds under this section so that the percentage of total operating cost paid by any recipient from local sources will not exceed the percentage for that recipient's classification, except as provided in an undue hardship case. The percentages must be: for urbanized area service and small urban area service, ~~40~~ 20 percent; for rural area service, ~~35~~ 15 percent; and for elderly and handicapped service, ~~35~~ 15 percent. The remainder of the total operating cost will be paid from state funds less any assistance received by the recipient from any federal source. For purposes of this subdivision "local sources" means ~~payments under section 174.242 plus~~ all local sources of funds and includes all operating revenue, tax levies, and contributions from public funds, except that the commissioner may exclude from the total assistance contract revenues derived from operations the cost of which is excluded from the computation of total operating cost. Total operating costs of the Duluth transit authority or a successor agency ~~shall~~ does not include costs related to the Superior, Wisconsin service contract and the independent school district No. 709 service contract. For calendar years 2004 and 2005, to enable public transit systems to meet the provisions of this section the commissioner may adjust payments of financial assistance to recipients that were under a contract with the department on January 1, 2003. Payments to such a recipient in calendar years 2004 and 2005 from the greater Minnesota transit fund, may not be less than the payment to the recipient from that fund in calendar year 2003, except for reductions made necessary by reductions in base funding for those years.

(c) If a recipient informs the commissioner in writing after the establishment of these percentages but prior to the distribution of financial assistance for any year that paying its designated percentage of total operating cost from local sources will cause undue hardship, the commissioner may reduce the percentage to be paid from local sources by the recipient and increase the percentage to be paid from local sources by one or more other recipients inside or outside the classification, ~~provided that no recipient shall have its~~. However, the commissioner may not reduce or increase any recipient's percentage thus reduced or increased under this paragraph for more than two years successively. If for any year the funds appropriated to the commissioner to carry out the purposes of this section are insufficient to allow the commissioner to pay the state share of total operating cost as provided in this paragraph, the commissioner shall reduce the state share in each classification to the extent necessary.

Sec. 44. Minnesota Statutes 2002, section 174.24, subdivision 5, is amended to read:

Subd. 5. [METHOD OF PAYMENT, OPERATING ASSISTANCE.] Payments for operating assistance under this section ~~shall~~ must be made in the following manner:

(a) For payments made from the general fund:

- (1) 50 percent of the total contract amount in the first month of operation;
- (2) 40 percent of the total contract amount in the seventh month of operation;
- (3) 9 percent of the total contract amount in the 12th month of operation; and
- (4) 1 percent of the total contract amount after the final audit.

(b) For payments made from the greater Minnesota transit fund:

- (1) 50 percent of the total contract amount in the seventh month of operation; and
- (2) 50 percent of the total contract amount in the 11th month of operation.

Sec. 45. Minnesota Statutes 2002, section 174.55, subdivision 2, is amended to read:

Subd. 2. [COMPOSITION.] The major transportation projects commission is composed of the governor or the governor's designee; four citizen members appointed by the governor and serving at the pleasure of the governor; seven senators appointed by the subcommittee on committees of the committee on rules and administration, three of whom must not be members of the senate majority party; and seven members of the house of representatives appointed by the speaker, three of whom must not be members of the house majority party. The commissioner of transportation shall serve as a nonvoting member unless the commissioner is the governor's designee. The commission shall elect a chair from among its members. Nongovernment members of the commission shall receive compensation in accordance with section 15.059, subdivision 3. The commission expires June 30, 2003.

Sec. 46. Minnesota Statutes 2002, section 174.64, subdivision 4, is amended to read:

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

Sec. 47. Minnesota Statutes 2002, section 275.71, subdivision 5, is amended to read:

Subd. 5. [PROPERTY TAX LEVY LIMIT.] Notwithstanding any other provision of a municipal charter which limits ad valorem taxes to a lesser amount, or which would require a separate voter approval for any increase, for taxes levied in 2001 and 2002, the property tax levy limit for a local governmental unit is equal to its adjusted levy limit base determined under subdivision 4 plus any additional levy authorized under section 275.73, which is levied against net tax capacity, reduced by the sum of (i) the total amount of aids and reimbursements that the local governmental unit is certified to receive under sections 477A.011 to 477A.014, except for the increases in city aid

bases in calendar year 2002 under section 477A.011, subdivision 36, paragraphs (n), (p), and (q), (ii) homestead and agricultural aids it is certified to receive under section 273.1398, (iii) taconite aids under sections 298.28 and 298.282 including any aid which was required to be placed in a special fund for expenditure in the next succeeding year, and (iv) low-income housing aid under sections 477A.06 and 477A.065, ~~and (v) property tax replacement aids under section 174.242.~~

Sec. 48. Minnesota Statutes 2002, section 297B.09, subdivision 1, is amended to read:

Subdivision 1. [DEPOSIT OF REVENUES.] (a) Money collected and received under this chapter must be deposited as provided in this subdivision.

~~(b) From July 1, 2001, to June 30, 2002, 30.86 percent of the money collected and received must be deposited in the highway user tax distribution fund, and the remaining money must be deposited in the general fund.~~

~~(c) On and after From July 1, 2002, to June 30, 2003, 32 percent of the money collected and received must be deposited in the highway user tax distribution fund, 20.5 percent must be deposited in the metropolitan area transit fund under section 16A.88, and 1.25 percent must be deposited in the greater Minnesota transit fund under section 16A.88. In fiscal year 2004 and thereafter, two percent of the money collected and received must be deposited in the metropolitan area transit appropriation account under section 16A.88. The remaining money must be deposited in the general fund.~~

(c) From July 1, 2003, to June 30, 2007, 30 percent of the money collected and received must be deposited in the highway user tax distribution fund, 21.5 percent must be deposited in the metropolitan area transit fund under section 16A.88, 1.43 percent must be deposited in the greater Minnesota transit fund under section 16A.88, 0.65 percent must be deposited in the county state-aid highway fund, and 0.17 percent must be deposited in the municipal state-aid street fund. The remaining money must be deposited in the general fund.

(d) On and after July 1, 2007, 32 percent of the money collected and received must be deposited in the highway user tax distribution fund, 20.5 percent must be deposited in the metropolitan area transit fund under section 16A.88, and 1.25 percent must be deposited in the greater Minnesota transit fund under section 16A.88. The remaining money must be deposited in the general fund.

Sec. 49. Minnesota Statutes 2002, section 299A.465, subdivision 4, is amended to read:

Subd. 4. [PUBLIC EMPLOYER REIMBURSEMENT.] A public employer subject to this section may annually apply by August 1 for the preceding fiscal year to the commissioner of public safety for reimbursement to help defray a portion of its costs of complying with this section. The commissioner shall provide ~~reimbursement an equal pro rata share~~ reimbursement an equal pro rata share to the public employer out of the public safety officer's benefit account based on the availability of funds for each eligible officer, firefighter, and qualifying dependents. Individual shares must not exceed the actual costs of providing coverage under this section by a public employer.

Sec. 50. [299A.77] [ALCOHOL ENFORCEMENT ACCOUNT.]

(a) An alcohol enforcement account is created in the special revenue fund, consisting of money credited to the account by law. Money in the account may be appropriated by law for (1) costs of the alcohol and gambling division related to administration and enforcement of sections 340A.403, subdivision 4; 340A.414, subdivision 1a; and 340A.504, subdivision 7; and (2) costs of the state patrol.

(b) The commissioner shall transfer from the account to the trunk highway fund \$3,500,000 in fiscal year 2004 and \$3,700,000 in fiscal year 2005, or so much thereof as is necessary to pay costs of adding state patrol positions.

Sec. 51. [299A.80] [ADMINISTRATIVE POWERS AND PENALTIES; GENERAL.]

Subdivision 1. [DEFINITIONS.] (a) For purposes of sections 299A.80 to 299A.802, the terms defined in this subdivision have the meanings given them.

(b) "Administrative agent" means a person or entity licensed by or granted authority by the commissioner of public safety under:

- (1) section 168.33 as a deputy registrar;
- (2) section 168C.11 as a deputy registrar of bicycles; or
- (3) section 171.061 as a driver's license agent.

(c) "Other authority" means licenses, orders, stipulation agreements, settlements, or compliance agreements adopted or issued by the commissioner of public safety.

(d) "Commissioner" means the commissioner of public safety.

(e) "License" means a license, permit, registration, appointment, or certificate issued or granted to an administrative agent by the commissioner of public safety.

Subd. 2. [APPLICABILITY.] Sections 299A.80 to 299A.802 apply to administrative agents licensed by or subject to other authority of the commissioner.

Subd. 3. [CUMULATIVE REMEDY.] The authority of the commissioner to issue a corrective order or assess an administrative penalty under sections 299A.80 to 299A.802 is in addition to other remedies available under statutory or common law, except that the state may not seek a civil penalty under any other law for a violation covered by an administrative penalty order. The payment of a penalty does not preclude the use of other enforcement provisions, under which civil fines are not assessed, in connection with the violation for which the penalty was assessed.

Subd. 4. [ACCESS TO INFORMATION AND PROPERTY.] The commissioner, an employee, or an agent authorized by the commissioner, upon presentation of credentials, may:

- (1) examine and copy any books, papers, records, memoranda, or data of an administrative agent; and
- (2) enter upon any property where an administrative agent conducts its place of business to take actions authorized under statute, rule, or other authority, including (i) obtaining information from an administrative agent who has a duty to provide information under statute, rule, or other authority, (ii) taking steps to remedy violations, or (iii) conducting surveys or investigations.

Subd. 5. [FALSE INFORMATION.] (a) An administrative agent may not:

- (1) make a false material statement, representation, or certification in a required document;
- (2) omit material information from a required document; or
- (3) alter, conceal, or fail to file or maintain a required document.

(b) In this section, "required document" means a notice, application, record, report, plan, or other document required under statute, rule, or other authority.

Subd. 6. [ENFORCEMENT.] (a) The attorney general may proceed on behalf of the state to enforce administrative penalties that are due and payable under section 299A.802 in any manner provided by law for the collection of debts.

(b) The attorney general may petition the district court to file a final administrative penalty order as an order of the court. At any court hearing to enforce a final administrative penalty order, the only issues the parties may contest are procedural and notice issues. Once entered, the administrative penalty order may be enforced in the same manner as a final judgment of the district court. This paragraph does not preclude district court review of the merits of an administrative penalty order if the order is appealed by the administrative agent under section 299A.802, subdivision 5.

(c) If an administrative agent fails to pay an administrative penalty, the attorney general may bring a civil action in district court seeking payment of the penalty, injunctive relief, or other appropriate relief including monetary damages, attorney fees, costs, and interest.

Subd. 7. [RECOVERY OF REASONABLE COSTS AND ATTORNEY FEES.] (a) In any judicial action brought by the attorney general for civil penalties, injunctive relief, or an action to compel performance pursuant to this section, if the state finally prevails, and if the proven violation was willful, the state, in addition to other penalties provided by law, may be allowed an amount determined by the court to be the reasonable value of all or part of the costs and attorney fees incurred by the state or the prevailing party. In determining the amount of the reasonable costs and attorney fees to be allowed, the court must give consideration to the economic circumstances of the defendant.

(b) However, if a defendant prevails, the court may award the reasonable value of all or part of the reasonable costs and attorney fees incurred by the defendant.

Subd. 8. [EDUCATION AND COMPLIANCE ACCOUNT; MONEY ALLOCATED.] An education and compliance account is created for the deposit of administrative penalty order receipts. Of the funds deposited in this account, \$5,000 each year is appropriated to the commissioner for education and compliance activities related to the regulated parties affected by this chapter. At the end of each biennium, all money not expended lapses to the general fund.

Subd. 9. [PLAN FOR USING ADMINISTRATIVE PENALTIES AND CEASE AND DESIST AUTHORITY.] The commissioner shall prepare a plan for using the administrative penalty order and cease and desist authority in this section. The commissioner shall provide a 30-day period for public comment on the plan. The plan must be finalized by July 1, 2004, and may be modified as necessary upon subsequent notice and opportunity for comment.

Sec. 52. [299A.801] [CORRECTIVE ORDERS AND INJUNCTIONS.]

Subdivision 1. [CORRECTIVE ORDERS.] (a) Before seeking an administrative penalty order under section 299A.802, the commissioner must issue a corrective order that requires the administrative agent to correct the violation of statute, rule, or other authority. The corrective order must state the deficiencies that constitute the violation of the specific statute, rule, or other authority, and the time by which the violation must be corrected. In addition to service by certified mail on the administrative agent, a copy of the corrective order must be given to the county auditor in the county where the administrative agent is located.

(b) The administrative agent to whom the corrective order was issued shall provide information to the commissioner, by the due date stated in the corrective order, demonstrating that the violation has been corrected or that the administrative agent has developed a corrective plan acceptable to the commissioner. The commissioner must determine whether the violation has been corrected and notify the administrative agent subject to the order of the commissioner's determination.

(c) If the administrative agent believes that the information contained in the commissioner's corrective order is in error, the administrative agent may ask the commissioner to reconsider the parts of the corrective order that are alleged to be in error. The request must:

(1) be in writing;

(2) be delivered to the commissioner by certified mail within seven calendar days after receipt of the corrective order;

(3) specify which parts of the corrective order are alleged to be in error and explain why they are in error; and

(4) provide documentation to support the allegation of error.

(d) The commissioner shall respond to requests made under paragraph (c) within 15 calendar days after receiving a request. A request for reconsideration does not stay the corrective order; however, after reviewing the request for reconsideration, the commissioner may provide additional time to comply with the order if necessary. The commissioner's disposition of a request for reconsideration of a corrective order is final.

Subd. 2. [CEASE AND DESIST ORDER.] The commissioner, or an employee of the department designated by the commissioner, may issue an order to cease an activity otherwise authorized by statute, rule, or other authority if continuation of the activity would result in an immediate risk to public safety. A cease and desist order issued under this subdivision is effective for a maximum of 72 hours. In conjunction with issuing the cease and desist order, the commissioner may post a sign to cease an activity until the cease and desist order is lifted and the sign is removed by the commissioner. To restrain activities for a period beyond 72 hours, the commissioner must seek an injunction or take other administrative action authorized by law. The issuance of a cease and desist order does not preclude the commissioner from pursuing any other enforcement action available to the commissioner.

Subd. 3. [ACTION FOR INJUNCTIVE RELIEF.] In addition to any other remedy provided by law, the commissioner may bring an action for injunctive relief in the district court in Ramsey county or, at the commissioner's discretion, in the district court in the county in which a violation of a statute, rule, or other authority has occurred to enjoin the violation.

Sec. 53. [299A.802] [ADMINISTRATIVE PENALTY ORDERS.]

Subdivision 1. [GENERAL.] The commissioner may issue an administrative penalty order for a violation of statute, rule, or other authority if an administrative agent has failed to comply with a corrective order issued under section 299A.801 related to that violation. The maximum amount of an administrative penalty order is \$10,000 for each administrative agent for all violations identified in an inspection or review of compliance. In addition to service by certified mail on the administrative agent, a copy of the administrative penalty order must be given to the county auditor in the county where the administrative agent is located.

Subd. 2. [AMOUNT OF PENALTY; CONSIDERATIONS.] (a) In determining the amount of a penalty to be assessed under this section, the commissioner may consider:

(1) the willfulness of the violation;

(2) the gravity of the violation, including damage to consumers or the state;

(3) the history of past violations;

(4) the number of violations;

(5) the economic benefit gained by the administrative agent by allowing or committing the violation; and

(6) other factors as justice may require, if the commissioner specifically identifies the additional factors in the commissioner's order.

(b) If an administrative agent violates a corrective order after a violation of a previous corrective order, the commissioner, in determining the amount of a penalty, must consider the factors in paragraph (a) and the following factors:

(1) similarity of the most recent previous violation of a corrective order and the violation to be penalized;

(2) time elapsed since the last violation of a corrective order;

(3) number of previous violations; and

(4) response of the administrative agent to the most recent previous violation identified.

Subd. 3. [CONTENTS OF ORDER.] An administrative penalty order under this section must include:

(1) a concise statement of the facts alleged to constitute a violation;

(2) a reference to the portion of the statute, rule, variance, order, or stipulation agreement or the term or condition of a permit that has been violated;

(3) a description of the violation of the corrective order that forms the basis for issuance of the administrative penalty order;

(4) a statement of the amount of the administrative penalty to be imposed and the factors upon which the penalty is based; and

(5) a statement of the administrative agent's right to review and appeal of the administrative penalty order.

Subd. 4. [DUE DATE.] (a) Unless the administrative agent requests review of the administrative penalty order under subdivision 5 before the penalty is due, the penalty in the order is due and payable on the 31st day after the administrative penalty order was received, if the administrative agent subject to the order fails to provide information to the commissioner showing that the violation has been corrected or that appropriate steps have been taken toward correcting the violation. These requirements may be waived or extended by the commissioner.

(b) Interest at the rate established in section 549.09 begins to accrue on penalties under this subdivision on the 31st day after the order with the penalty was received, unless waived by the commissioner.

Subd. 5. [EXPEDITED ADMINISTRATIVE HEARING.] (a) Within 30 days after receiving an administrative penalty order, the administrative agent subject to an order under this section may request an expedited hearing, using the procedures of Minnesota Rules, parts 1400.8510 to 1400.8612, or their successor rules, to review the commissioner's action. The hearing request must specifically state the reasons for seeking review of the

administrative penalty order. The administrative agent to whom the administrative penalty order is directed and the commissioner are the parties to the expedited hearing. At least 15 days before the hearing, the commissioner shall notify the administrative agent to whom the administrative penalty order is directed of the time and place of the hearing. The expedited hearing must be held within 30 days after a request for hearing has been filed with the commissioner unless the parties agree to a later date.

(b) All written arguments must be submitted within ten days following the close of the hearing. The hearing must be conducted under Minnesota Rules, parts 1400.8510 to 1400.8612, or their successor rules, as modified by this subdivision. The office of administrative hearings, in consultation with the agency, may adopt rules specifically applicable to cases under this section.

(c) Within 30 days following the close of the record, the administrative law judge shall issue a report making recommendations about the commissioner's action to the commissioner. The administrative law judge may not recommend a change in the amount of the proposed administrative penalty unless the administrative law judge determines that, based on the factors in subdivision 1, the amount of the administrative penalty is unreasonable.

(d) If the administrative law judge makes a finding that the hearing was requested solely for purposes of delay or that the hearing request was frivolous, the commissioner may add to the amount of the administrative penalty the costs charged to the agency by the office of administrative hearings for the hearing.

(e) If a hearing has been held, the commissioner may not issue a final order until at least five days after receipt of the report of the administrative law judge. Within those five days, the administrative agent to whom an administrative penalty order is issued may comment to the commissioner on the recommendations and the commissioner shall consider the comments. The final administrative penalty order may be appealed to the district court for a de novo review of the order.

(f) If a hearing has been held and a final administrative penalty order issued by the commissioner, the administrative penalty must be paid by 30 days after the date the final order is received unless it is appealed to the district court. If an appeal is not taken or the administrative penalty order is upheld on appeal, the amount due is the administrative penalty, together with interest accruing from 31 days after the original order was received, at the rate established in section 549.09.

Subd. 6. [MEDIATION.] In addition to review under subdivision 5, the commissioner may enter into mediation concerning an order issued under this section if the commissioner and the administrative agent to whom the order is issued both agree to mediation.

Sec. 54. Minnesota Statutes 2002, section 299E.01, is amended by adding a subdivision to read:

Subd. 6. [VEHICLE TOWING.] Towing policy and practice for vehicles in public parking spaces within the capitol complex must conform to provisions of section 169.041.

Sec. 55. Minnesota Statutes 2002, section 299E.03, subdivision 3, is amended to read:

Subd. 3. [EXPIRATION AND COMPENSATION.] ~~Notwithstanding section 15.059, The oversight committee does not expire~~ expires June 30, 2004. Committee members may not receive compensation for serving, but may receive expense reimbursements as provided in section 15.059.

Sec. 56. [331A.12] [WEB SITE PUBLICATION OF LOCAL TRANSPORTATION RFP.]

Subdivision 1. [DEFINITIONS.] (a) The terms defined in this subdivision and section 331A.01 apply to this section.



(b) "Web site" means a specific, addressable location provided on a server connected to the Internet and hosting World Wide Web pages and other files that are generally accessible on the Internet all or most of the day.

Subd. 2. [DESIGNATION.] At the meeting of the governing body of the local public corporation at which the governing body must designate its official newspaper for the year, the governing body may designate in the same manner publication of transportation projects on the local public corporation's Web site. Publication on the Web site may be used in place of or in addition to any other required form of publication. Each year after designating publication on the Web site for transportation projects, the local public corporation must publish in a qualified newspaper in the jurisdiction and on the Web site, notice that the local public corporation will publish any advertisements for bids on its Web site.

Subd. 3. [FORM, TIME FOR PUBLICATION SAME.] A local public corporation that publishes on its Web site under this section must post the information in substantially the same format and for the same period of time as required for publication in an official newspaper or another other print publication.

Subd. 4. [RECORD RETENTION.] A local public corporation that publishes notice on its Web site under this section must ensure that a permanent record of publication is maintained in a form accessible by the public.

Sec. 57. Minnesota Statutes 2002, section 340A.403, is amended by adding a subdivision to read:

Subd. 4. [NOTICE TO COMMISSIONER.] Within ten days of the issuance of a license under this section, a municipality shall inform the commissioner, on a form the commissioner prescribes, of the licensee's name and address and trade name, the effective date and expiration date of the license, and any other information on the license the commissioner requires.

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

Sec. 58. Minnesota Statutes 2002, section 340A.414, is amended by adding a subdivision to read:

Subd. 1a. [ADDITIONAL AUTHORIZATION.] A holder of a consumption and display permit under this section who wishes to allow the consumption and display of intoxicating liquor between the hours of 1:00 a.m. and 2:00 a.m. must obtain authorization to do so from the commissioner. The authorization may be provided in a document issued to the permit holder by the commissioner, or by a notation on the permit holder's permit. Authorizations are valid for one year from the date of issuance. The annual fee for obtaining authorization is \$200. The commissioner shall deposit all fees received under this subdivision in the alcohol enforcement account in the special revenue fund. A person who holds a consumption and display permit and who also holds a license to sell alcoholic beverages at on-sale at the same location is not required to obtain an authorization under this subdivision.

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

Sec. 59. Minnesota Statutes 2002, section 340A.504, is amended by adding a subdivision to read:

Subd. 7. [SALES AFTER 1:00 A.M.; PERMIT FEE.] (a) No licensee may sell intoxicating liquor or 3.2 percent malt liquor on-sale between the hours of 1:00 a.m. and 2:00 a.m. unless the licensee has obtained a permit from the commissioner. Application for the permit must be on a form the commissioner prescribes. Permits are effective for one year from date of issuance. For retailers of intoxicating liquor, the fee for the permit is based on the licensee's gross receipts from on-sales of alcoholic beverages in the 12 months prior to the month in which the permit is issued, and is at the following rates:

(1) up to \$100,000 in gross receipts, \$200;

(2) over \$100,000 but not over \$500,000 in gross receipts, \$500; and

(3) over \$500,000 in gross receipts, \$600.

For a licensed retailer of intoxicating liquor who did not sell intoxicating liquor at on-sale for a full 12 months prior to the month in which the permit is issued, the fee is \$200. For a retailer of 3.2 percent malt liquor, the fee is \$200.

(b) The commissioner shall deposit all permit fees received under this subdivision in the alcohol enforcement account in the special revenue fund.

(c) Notwithstanding any law to the contrary, the commissioner of revenue may furnish to the commissioner the information necessary to administer and enforce this subdivision.

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

Sec. 60. [414.038] [EFFECT OF ANNEXATION OF TOWNSHIP ROADS.]

Whenever a municipality annexes property abutting one side of a township road, the segment of road abutting the annexed property must be treated as a line road and is subject to section 164.14. Whenever a municipality annexes the property on both sides of a township road, that portion of road abutting the annexed property ceases to be a town road and becomes the obligation of the annexing municipality. This section does not prohibit the annexing municipality from contracting with the township for continued maintenance of the road. Any portion of a township road that ceases to be a township road pursuant to this section may still be counted as a township road for the road-and-bridge account revenues for the year in which the annexation occurs.

Sec. 61. [414.039] [EFFECT OF ANNEXATION ON EASEMENTS.]

If a municipality annexes property in which the affected township holds any easement for the benefit of the public, the township's easement interest continues unless otherwise agreed to by the township.

Sec. 62. Laws 1999, chapter 238, article 1, section 2, subdivision 2, is amended to read:

|                      |            |            |
|----------------------|------------|------------|
| Subd. 2. Aeronautics | 19,327,000 | 19,410,000 |
|----------------------|------------|------------|

Summary by Fund

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

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

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

(a) Airport Development and Assistance

| 2000       | 2001       |
|------------|------------|
| 13,948,000 | 13,948,000 |

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

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

Notwithstanding Minnesota Statutes, section 16A.28, subdivision 6, funds are available for five years after appropriation.

(b) Aviation Support

|           |           |
|-----------|-----------|
| 5,247,000 | 5,329,000 |
|-----------|-----------|

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

(c) Air Transportation Services

|               |         |                 |
|---------------|---------|-----------------|
| 132,000       | 133,000 |                 |
|               |         | Summary by Fund |
| Airports      | 71,000  | 72,000          |
| General       | 50,000  | 50,000          |
| Trunk Highway | 11,000  | 11,000          |

Sec. 63. Laws 2000, chapter 433, section 4, is amended to read:

Sec. 4. [EFFECTIVE DATE.]

Sections 1 to 3 are effective the day following final enactment ~~and are repealed June 1, 2003.~~

Sec. 64. Laws 2001, chapter 97, section 5, is amended to read:

Sec. 5. [EFFECTIVE DATE; EXPIRATION.]

~~(a)~~ Sections 1 to 4 are effective July 1, 2001.

~~(b) The amendments in sections 3 and 4 to Minnesota Statutes, section 171.02, expire July 1, 2003.~~

~~(c) The amendment in section 1 to Minnesota Statutes, section 169.01, subdivision 75, expires July 1, 2003.~~

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

Sec. 65. Laws 2001, First Special Session chapter 8, article 1, section 2, subdivision 2, is amended to read:

|                      |            |            |
|----------------------|------------|------------|
| Subd. 2. Aeronautics | 20,748,000 | 20,489,000 |
|----------------------|------------|------------|

Summary by Fund

|               |            |            |
|---------------|------------|------------|
| Airports      | 20,687,000 | 20,428,000 |
| General       | 50,000     | 50,000     |
| Trunk Highway | 11,000     | 11,000     |

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

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

(a) Airport Development and Assistance

|            |            |
|------------|------------|
| 14,298,000 | 14,298,000 |
|------------|------------|

These appropriations must be spent according to Minnesota Statutes, section 360.305, subdivision 4.

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

Notwithstanding Minnesota Statutes, section 16A.28, subdivision 6, funds are available for five years after appropriation.

(b) Aviation Support

|           |           |
|-----------|-----------|
| 6,315,000 | 6,053,000 |
|-----------|-----------|

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

\$600,000 each year is for GPS navigation systems. Of this amount, \$250,000 each year adds to the agency's budget base.

\$400,000 the first year and \$50,000 the second year are for the development of on-line aircraft registration capabilities.

## (c) Air Transportation Services

135,000

138,000

## Summary by Fund

|               |        |        |
|---------------|--------|--------|
| Airports      | 74,000 | 77,000 |
| General       | 50,000 | 50,000 |
| Trunk Highway | 11,000 | 11,000 |

The commissioner shall take all feasible actions to seek a waiver from the appropriate federal authorities that would allow the commissioner to sell the airplane described in Laws 1997, chapter 159, article 1, section 2, subdivision 2, clause (c). Any proceeds from the sale of the airplane must be deposited in the general fund.

## Sec. 66. [TRANSFER FROM LOAN FUND.]

The commissioner of finance shall transfer to the general fund \$8,200,000 of the money appropriated to the transportation revolving loan fund under Laws 2000, chapter 479, article 1, section 6, subdivision 2. This transfer must be made at the rate of \$4,100,000 each year of the 2004-2005 biennium.

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

## Sec. 67. [REST AREA PROGRAM; REPORT.]

The commissioner of transportation shall report to the chairs of the legislative committees with jurisdiction over transportation policy and finance by January 30, 2004, on the status of the department's highway rest area program. The report must include:

(1) adequacy of funding for the program;

(2) all rest area closings and hours of service reductions implemented and planned for the 2004-05 biennium;

(3) steps that the commissioner has taken or plans to make to allow leasing of rest areas to private entities or operation of rest areas by private entities, including provisions that the commissioner has made or intends to make to promote the employment of needy elderly persons at rest areas and preserve contracts under Minnesota Statutes, section 248.07.

## Sec. 68. [STUDY; USE OF CENTERLINE RUMBLE STRIPS.]

The commissioner of transportation shall study the feasibility and practicability of:

(1) including milled-in rumble strips on the centerline of the highway in all projects for the construction, reconstruction, or resurfacing of two-lane trunk highways; and

(2) requiring that all projects for the construction, reconstruction, or resurfacing of two-lane county state-aid highways include milled-in rumble strips on the centerline of the highway.

## Sec. 69. [TRANSFERS.]

The commissioner of finance shall transfer \$155,000 from the remaining balance in the alcohol-impaired driver education account in the special revenue fund to the general fund.

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

## Sec. 70. [HUBBARD MARKETPLACE TRANSIT HUB.]

Until June 30, 2005, the metropolitan council is prohibited from reducing the level of public access to services and facilities at Hubbard Marketplace transit station, in the city of Robbinsdale, as long as Hubbard Marketplace continues to be operated as a transit station.

## Sec. 71. [BUS RAPID TRANSIT STUDY.]

Subdivision 1. [STUDY REQUIRED.] The department of transportation shall conduct a study on the feasibility of implementing a bus rapid transit (BRT) system in the I-35W corridor from downtown Minneapolis through south Minneapolis and the cities of Richfield, Bloomington, Burnsville, and Lakeville. Bus rapid transit systems are those systems that provide for significantly faster operating bus speeds, integrated service, greater service reliability, and increased convenience through investments in bus infrastructure, equipment, technology, and operational improvements.

Subd. 2. [STUDY REQUIREMENTS.] The study must, at a minimum, include an analysis of the benefits and costs of implementing a bus rapid transit system that includes the following:

- (1) frequent operation of buses on exclusive or near-exclusive right-of-way on marked interstate highway 35W;
- (2) changes in bus or platform design and fare collection that provide for faster convenient boarding;
- (3) station locations that are adjacent to, or easily accessible from, the exclusive right-of-way;
- (4) traffic management improvements and traffic signal preemption on local streets within the I-35W corridor;  
and
- (5) changes to existing transit services to provide for timely connections and transfers.

Subd. 3. [STUDY RECOMMENDATIONS.] The study must recommend:

- (1) options for implementing bus rapid transit in the I-35W corridor;
- (2) the associated cost of each option; and
- (3) the anticipated benefits in terms of reduced travel times, increased ridership, increased mobility, and impacts on congestion levels within the corridor.

The study must be submitted by December 10, 2004, to the house of representatives and senate committees with jurisdiction over transportation policy and finance.

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

## Sec. 72. [REQUEST FOR PROPOSALS.]

Notwithstanding Minnesota Statutes, section 473.4051, the metropolitan council must prepare a request for proposals to operate in whole or in part the Hiawatha light rail transit line. The request must invite proposals from vendors from within and outside of Minnesota. The metropolitan council must consult with the commissioner of administration in preparing the request. The council must obtain an internal competitive proposal from its own metropolitan transit operations division. The department of administration, in consultation with the department of finance and the Hennepin county regional rail authority, must evaluate the proposals received in a report to the council. The council must take into consideration the evaluations of the commissioner in determining whether it is more advantageous to contract with a vendor for the operating services, and if so, which vendor to select. If the council determines it is more advantageous to contract with a vendor for the operating services it must select a vendor not later than December 1, 2003. Minnesota Statutes, section 473.392, does not apply to the procurement by the council of operating services for the Hiawatha light rail transit line.

## Sec. 73. [ITASCA COUNTY; LAND EXCHANGE.]

Notwithstanding Minnesota Statutes, section 373.01, subdivision 1, Itasca county may exchange a parcel or parcels of real property of substantially similar or equal value without advertising for bids to acquire real property for maintenance facilities directly related to county highways. The estimated value of the parcels exchanged must be determined by the Itasca county assessor, and the exchange must otherwise comply with Minnesota Statutes, section 373.01, and other applicable law.

[EFFECTIVE DATE.] This section is effective immediately without local approval, because it enables a local government unit to exercise authority not granted by general law as provided in Minnesota Statutes, section 645.023, subdivision 1, paragraph (a).

## Sec. 74. [SOUTHWEST CORRIDOR RAIL TRANSIT; PROHIBITIONS.]

Subdivision 1. [DEFINITION.] For purposes of this section, "southwest transit way corridor" means the southwest transit way corridor between Minneapolis and Eden Prairie as identified by the Hennepin county regional rail authority in its southwest corridor rail transit study.

Subd. 2. [PROHIBITIONS.] Until July 1, 2005, neither the commissioner of transportation, the metropolitan council, nor the Hennepin county regional rail authority may take any action or spend any money for preliminary engineering, final design, or construction for light rail or commuter rail transit in the southwest transit way corridor.

## Sec. 75. [NORTHSTAR COMMUTER RAIL STUDY.]

The commissioner of transportation, in conjunction with the Northstar Corridor Development Authority, shall convene a work group to further study the feasibility of constructing the Northstar commuter rail. The work group shall update ridership forecasts for the commuter rail based on 2000 census data and seek updated information from the Burlington Northern Santa Fe railroad regarding capacity improvements, railroad usage rights, construction, risk and liability allocation, and other related issues. By January 15, 2004, the commissioner shall report the work group's findings to the chairs and ranking members of the legislative committees having jurisdiction over transportation and capital investment. The commissioner of transportation shall not pay for any outside consultant expenses related to this work.

## Sec. 76. [COMMISSIONER OF REVENUE; STUDY.]

(a) The commissioner of revenue, in consultation with the hospitality industry, shall conduct a study to determine the amount of annual increase in state tax revenue that is attributable to changes in the hours of permissible sale of alcoholic beverages. The commissioner shall report the results of the study to the governor and legislature by January 15, 2005.

(b) If the study determines that the amount of the annual increase is at least \$3,850,000 during the period studied, the commissioner shall so report to the secretary of state.

Sec. 77. [PARTICIPATION IN METROPOLITAN AIRPORTS COMMISSION TAXICAB ADVISORY COMMITTEE.]

To the extent the metropolitan airports commission maintains a taxicab advisory committee, the commission must allow for full public comment and participation of any individual, association, or other entity within the taxicab industry. The commission may not prohibit participation of any representative of a taxicab owner, taxicab company, or association that qualifies to be a member of the taxicab advisory committee. This section expires June 30, 2005.

Sec. 78. 2003 House File No. 719, section 30, if enacted, is amended to read:

Sec. 30. [EFFECTIVE DATE.]

Sections 1 to 9 and 13 to 29 are effective the day following final enactment. Sections 10 to 12 are effective July 1, 2003.

Sec. 79. [REPEALER.]

Subdivision 1. [STATUTES.] Minnesota Statutes 2002, sections 162.09, subdivision 5; 169.794; 169.799; 174.025; 174.031; 174.242; 221.165; 221.54; and 221.55, are repealed.

Subd. 2. [RULES.] Minnesota Rules, parts 7403.1300; 7413.0400; 7413.0500; 7800.0100, subparts 1, 3, and 5; 7800.0500; 7800.0700; 7800.1400; 7800.1500; 7800.1600; 7800.1700; 7800.3100; 7800.3900; 7800.4810; 7805.0800; 8800.0100, subparts 7 and 36; 8800.1200, subpart 3; 8800.3500; 8800.3700; 8800.4000; 8810.4200; 8810.4500; 8810.4600; 8810.4700; 8810.4800; 8810.4900; 8810.5000; 8810.5100; 8810.5500; 8810.9920; 8810.9921; 8850.6900, subparts 4, 6, 11, 12, and 17; 8850.7000; 8850.7025; 8850.7040; 8850.7100; 8850.7900; 8850.8200; 8850.8900; 8850.9000; 8850.9050, subparts 1 and 2; 8900.0100; 8900.0200; 8900.0300; 8900.0400; 8900.0500; 8900.0600; 8900.0700; 8900.0800; 8900.0900; 8900.1000; 8900.1100; 8910.1000; 8910.2000; 8910.2100; 8910.3000; and 8910.3100, are repealed.

Subd. 3. [OTHER PROVISIONS.] Sections 50, 57, 58, and 59 are repealed on July 1, 2005, provided that the commissioner of finance has made the report to the secretary of state of the determination described in section 76, paragraph (b), by that date. If no such determination has been made by that date, sections 50, 57, 58, and 59 remain in effect.

Sec. 80. [EFFECTIVE DATE.]

This article is effective the day following final enactment, unless otherwise specified.

### ARTICLE 3

#### TRUNK HIGHWAY BONDING

Section 1. [HIGHWAY AND TRANSIT APPROPRIATIONS.]

Subdivision 1. [TRUNK HIGHWAY PROJECTS FINANCED BY STATE BONDS.] (a) \$400,000,000 is appropriated from the bond proceeds account in the trunk highway fund to the commissioner of transportation for trunk highway improvements. This appropriation is for:



(1) trunk highway improvements within the seven-county metropolitan area primarily for improving traffic flow and expanding highway capacity by eliminating traffic bottlenecks and improving segments of at-risk interregional corridors within the seven-county area; and

(2) trunk highway improvements on at-risk interregional corridors located outside the seven-county metropolitan area.

These appropriations include the cost of actual payment to landowners for lands acquired for highway right-of-way, payment to lessees, interest subsidies, and relocation expenses. Within each category in clauses (1) and (2), the commissioner shall spend not less than \$25,000,000 on highway safety and capacity improvement projects including but not limited to the addition of lanes on trunk highway corridors with known safety problems.

(b) In spending the appropriation under paragraph (a), the commissioner shall, to the maximum feasible extent, seek to allocate spending equally between the department of transportation metropolitan district and the remainder of the state.

(c) The commissioner of transportation may use up to \$68,500,000 of this appropriation for program delivery.

(d) The commissioner shall use at least \$36,000,000 of this appropriation for accelerating transit capital improvements on trunk highways such as shoulder bus lanes, bus park-and-ride facilities, and ramp meter-bypass facilities.

Subd. 2. [REPORT.] The commissioner shall report to the committees having jurisdiction over transportation finance in the house of representatives and senate, no later than January 15 of each year through 2007, on projects selected to be funded by this appropriation. The report must include the geographic distribution of the selected projects and their adherence to the criteria and spending allocation goals listed in subdivision 1, and the location and cost of each project.

Subd. 3. [BOND SALE EXPENSES.] \$400,000 is appropriated from the bond proceeds account in the trunk highway fund to the commissioner of finance for bond sale expenses under Minnesota Statutes, section 16A.641, subdivision 8.

Subd. 4. [CANCELLATION.] Any part of the appropriation in this section that is not encumbered or otherwise obligated by June 30, 2007, must be canceled to the trunk highway bond account in the state bond fund.

## Sec. 2. [BOND SALE.]

To provide the money appropriated in section 1, subdivisions 1 and 4, from the bond proceeds account in the trunk highway fund, the commissioner of finance shall sell and issue bonds of the state in an amount up to \$400,550,000 in the manner, on the terms, and with the effect prescribed by Minnesota Statutes, sections 167.50 to 167.52, and by the Minnesota Constitution, article XIV, section 11, at the times and in the amounts requested by the commissioner of transportation. The proceeds of the bonds, except accrued interest and any premium received from the sale of the bonds, must be deposited in the bond proceeds account in the trunk highway fund.

## Sec. 3. [ADVANCE CONSTRUCTION.]

(a) Through June 30, 2009, the commissioner of transportation may spend up to \$400,400,000 on trunk highway improvements from funds approved for expenditure by the Federal Highway Administration and designated as advance construction funds.

(b) Any additional advance construction expenditures by the commissioner approved by the Federal Highway Administration through June 30, 2009, may be added to the amount in paragraph (a).

(c) In spending federal funds under paragraphs (a) and (b), the commissioner shall, to the maximum feasible extent, seek to allocate spending equally between the department of transportation metropolitan district and the remainder of the state.

(d) The commissioner shall report to the chairs of the senate and house of representatives committees with jurisdiction over transportation policy and finance by January 15 each year regarding the use of advance construction funding in the previous and current fiscal year. The report must include:

(1) an analysis of the impact of the use of advance construction funding on the trunk highway fund balance and cash flow;

(2) an estimate of the amount of additional advance construction funding that is available for use in future fiscal years and the impact on the department's total road construction program; and

(3) geographic distribution of spending and compliance with the spending goal in paragraph (c).

Sec. 4. [GREATER MINNESOTA TRANSIT.]

The commissioner of transportation may spend up to \$5,000,000 through June 30, 2008, in federal transit funds for capital assistance to public transit systems under Minnesota Statutes, section 174.24. This amount is in addition to any appropriations made by law for this purpose.

Sec. 5. [REPORT.]

The commissioner shall report by January 15 of each year through 2007 to the chairs of the legislative committees with jurisdiction over transportation policy and finance on (1) how the department is spending the appropriations in this article for trunk highway improvements, and (2) the department's plans to implement trunk highway improvements funded under this article with current department staffing, and an analysis of the need for additional staffing and consultant services.

Sec. 6. [EFFECTIVE DATE.]

Sections 1 to 4 are effective the day following final enactment.

#### ARTICLE 4

#### FISCAL YEAR 2003 APPROPRIATIONS AND TRANSFERS

Section 1. [TRANSPORTATION APPROPRIATIONS AND TRANSFERS.]

The dollar amounts in the columns under "APPROPRIATION CHANGE" are added to or, if shown in parentheses, are subtracted from the appropriations in Laws 2001, First Special Session chapter 8, as amended, 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 "2003" means that the addition to or subtraction from the appropriations listed under the figure is for the fiscal year ending June 30, 2003.

|  |                      |
|--|----------------------|
|  | 2003                 |
| TRANSFERS FROM OTHER FUNDS                               | \$15,000,000         |
| CANCELLATIONS - GENERAL FUND                             | (110,000,000)        |
| TRUNK HIGHWAY BOND PROCEEDS ACCOUNT - TRUNK HIGHWAY FUND | 110,110,000          |
|  | APPROPRIATION CHANGE |
| Sec. 2. TRANSPORTATION                                   | 110,000,000          |

This appropriation is from the trunk highway bond proceeds account in the trunk highway fund and is available for expenditure beginning the day following final enactment. It is for the same purposes as specified in Laws 2000, chapter 479, article 1, section 2, subdivision 3.

Of the general fund appropriation in Laws 2000, chapter 479, article 1, section 2, subdivision 3, \$110,000,000 cancels to the general fund. This cancellation is effective the day following final enactment.

By June 30, 2003, the commissioner of finance shall transfer \$15,000,000 of the cash balance in the state airports fund established in Minnesota Statutes, section 360.017, to the general fund.

|                            |         |
|----------------------------|---------|
| Sec. 3. BOND SALE EXPENSES | 110,000 |
|----------------------------|---------|

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

Sec. 4. BOND SALE AUTHORIZATION

To provide the money appropriated in this act from the trunk highway bond proceeds account in the trunk highway fund, the commissioner of finance shall sell and issue bonds of the state in an amount up to \$110,110,000 in the manner, upon the terms, and with the effect prescribed by Minnesota Statutes, sections 167.50 to 167.52, and by the Minnesota Constitution, article XIV, section 11, at the times and in the amount requested by the commissioner of transportation. The proceeds of the bonds, except accrued interest and any premium received on the sale of the bonds, must be credited to the trunk highway bond proceeds account in the trunk highway fund.

Sec. 5. [EFFECTIVE DATE.]

Sections 1 to 4 are effective the day following final enactment."

Delete the title and insert:

"A bill for an act relating to appropriations; appropriating money for transportation, public safety, and other purposes; authorizing issuance of state bonds; modifying provisions relating to contract awards, land appraisal, archaeological or historic sites, high-occupancy vehicle lanes, highways and highway rest areas, town roads and easements, county highways and cartways, streets, other transportation corridors, major transportation projects commission, responsibilities of the department of transportation, transit, forecasts of highway-related revenues and expenditures, motor carriers, a land exchange, and other transportation-related activities; providing for fees, surcharges, funds and accounts, transfers, allocations, and expenditures; modifying provisions regulating special mobile equipment, special vehicle license plates, speed limits and other traffic regulations, vehicle weight limits and other vehicle regulations, vehicle insurance requirements, small school buses, drivers' licenses, capitol complex towing policy, public safety officer benefit funds, liquor, and other activities related to public safety; authorizing administrative powers, penalties, and remedies for public safety purposes; providing for petroleum inspection cost recovery; repealing certain rules governing design standards of driveways next to highways, motor carriers, aeronautics, and the right of first refusal to certain railroad land; requiring studies and reports; making technical and clarifying changes; amending Minnesota Statutes 2002, sections 13.44, subdivision 3; 16A.88, subdivision 1; 117.232, subdivision 1; 138.40, subdivisions 2, 3; 161.08; 161.20, subdivision 3; 162.02, subdivisions 1, 2, 4; 162.09, subdivision 1; 163.07, subdivision 2; 163.11, by adding subdivisions; 164.12; 168.011, subdivision 22; 168.013, subdivision 3; 168.12, subdivisions 2e, 5; 168.54, subdivision 4; 168A.29, subdivision 1; 169.14, subdivision 5a; 169.448, subdivision 1; 169.791, subdivision 1; 169.796, by adding a subdivision; 169.797, subdivision 4a; 169.798, subdivision 1, by adding a subdivision; 169.826, subdivision 1, by adding a subdivision; 169.85, subdivision 2; 169.86, subdivision 5; 171.02, subdivision 2a; 171.20, subdivision 4; 171.29, subdivision 2; 174.03, by adding a subdivision; 174.24, subdivisions 1, 3b, 5; 174.55, subdivision 2; 174.64, subdivision 4; 239.101, by adding a subdivision; 275.71, subdivision 5; 297B.09, subdivision 1; 299A.465, subdivision 4; 299E.01, by adding a subdivision; 299E.03, subdivision 3; 340A.403, by adding a subdivision; 340A.414, by adding a subdivision; 340A.504, by adding a subdivision; Laws 1999, chapter 238, article 1, section 2, subdivision 2; Laws 2000, chapter 433, section 4; Laws 2001, chapter 97, section 5; Laws 2001, First Special Session chapter 8, article 1, section 2, subdivision 2; 2003 H. F. No. 719, section 30, if enacted; proposing coding for new law in Minnesota Statutes, chapters 117; 160; 161; 168; 299A; 331A; 414; repealing Minnesota Statutes 2002, sections 162.09, subdivision 5; 169.794; 169.799; 174.025; 174.031; 174.242; 221.165; 221.54; 221.55; Minnesota Rules, parts 7403.1300; 7413.0400; 7413.0500; 7800.0100, subparts 1, 3, 5; 7800.0500; 7800.0700; 7800.1400; 7800.1500; 7800.1600; 7800.1700; 7800.3100; 7800.3900; 7800.4810; 7805.0800; 8800.0100, subparts 7, 36; 8800.1200, subpart 3; 8800.3500; 8800.3700; 8800.4000; 8810.4200; 8810.4500; 8810.4600; 8810.4700; 8810.4800; 8810.4900; 8810.5000; 8810.5100; 8810.5500; 8810.9920; 8810.9921; 8850.6900, subparts 4, 6, 11, 12, 17; 8850.7000; 8850.7025; 8850.7040; 8850.7100; 8850.7900; 8850.8200; 8850.8900; 8850.9000; 8850.9050, subparts 1, 2; 8900.0100; 8900.0200; 8900.0300; 8900.0400; 8900.0500; 8900.0600; 8900.0700; 8900.0800; 8900.0900; 8900.1000; 8900.1100; 8910.1000; 8910.2000; 8910.2100; 8910.3000; 8910.3100."

The motion prevailed and the amendment was adopted.

Kuisle moved to amend H. F. No. 5, as amended, as follows:

Page 2, line 26, delete "41,688,000" and insert "41,548,000" and delete "41,689,000" and insert "41,549,000"

Page 2, line 29, delete "16,295,000" and insert "16,155,000" and delete "16,296,000" and insert "16,156,000"

Page 3, line 31, delete "16,097,000" and insert "15,957,000" and delete "16,098,000" and insert "15,958,000"

Page 3, line 33, delete "15,949,000" and insert "15,809,000" and delete "15,950,000" and insert "15,810,000"

Page 77, line 27, delete "finance" and insert "revenue"

Page 79, line 15, delete "\$400,550,000" and insert "\$400,400,000"

Page 79, line 26, delete "\$400,400,000" and insert "\$400,000,000"

The motion prevailed and the amendment was adopted.

H. F. No. 5, A bill for an act relating to appropriations; appropriating money for transportation, public safety, and other purposes; authorizing issuance of state bonds; modifying provisions relating to contract awards, land appraisal, archaeological or historic sites, high-occupancy vehicle lanes, highways and highway rest areas, town roads and easements, county highways and cartways, streets, other transportation corridors, major transportation projects commission, responsibilities of the department of transportation, transit, forecasts of highway-related revenues and expenditures, motor carriers, a land exchange, and other transportation-related activities; providing for fees, surcharges, funds and accounts, transfers, allocations, and expenditures; modifying provisions regulating special mobile equipment, special vehicle license plates, speed limits and other traffic regulations, vehicle weight limits and other vehicle regulations, vehicle insurance requirements, small school buses, drivers' licenses, capitol complex towing policy, public safety officer benefit funds, liquor, and other activities related to public safety; authorizing administrative powers, penalties, and remedies for public safety purposes; providing for petroleum inspection cost recovery; repealing certain rules governing design standards of driveways next to highways, motor carriers, aeronautics, and the right of first refusal to certain railroad land; requiring studies and reports; making technical and clarifying changes; amending Minnesota Statutes 2002, sections 13.44, subdivision 3; 16A.88, subdivision 1; 117.232, subdivision 1; 138.40, subdivisions 2, 3; 161.08; 161.20, subdivision 3; 162.02, subdivisions 1, 2, 4; 162.09, subdivision 1; 163.07, subdivision 2; 163.11, by adding subdivisions; 164.12; 168.011, subdivision 22; 168.013, subdivision 3; 168.12, subdivisions 2e, 5; 168.54, subdivision 4; 168A.29, subdivision 1; 169.14, subdivision 5a; 169.448, subdivision 1; 169.791, subdivision 1; 169.796, by adding a subdivision; 169.797, subdivision 4a; 169.798, subdivision 1, by adding a subdivision; 169.826, subdivision 1, by adding a subdivision; 169.85, subdivision 2; 169.86, subdivision 5; 171.02, subdivision 2a; 171.20, subdivision 4; 171.29, subdivision 2; 174.03, by adding a subdivision; 174.24, subdivisions 1, 3b, 5; 174.55, subdivision 2; 174.64, subdivision 4; 239.101, by adding a subdivision; 275.71, subdivision 5; 297B.09, subdivision 1; 299A.465, subdivision 4; 299E.01, by adding a subdivision; 299E.03, subdivision 3; 340A.403, by adding a subdivision; 340A.414, by adding a subdivision; 340A.504, by adding a subdivision; Laws 1999, chapter 238, article 1, section 2, subdivision 2; Laws 2000, chapter 433, section 4; Laws 2001, chapter 97, section 5; Laws 2001, First Special Session chapter 8, article 1, section 2, subdivision 2; 2003 H. F. No. 719, section 30, if enacted; proposing coding for new law in Minnesota Statutes, chapters 117; 160; 161; 168; 299A; 331A; 414; repealing Minnesota Statutes 2002, sections 162.09, subdivision 5; 169.794; 169.799; 174.025; 174.031; 174.242; 221.165; 221.54; 221.55; Minnesota Rules, parts 7403.1300; 7413.0400; 7413.0500; 7800.0100, subparts 1, 3, 5; 7800.0500; 7800.0700; 7800.1400; 7800.1500; 7800.1600; 7800.1700; 7800.3100; 7800.3900; 7800.4810; 7805.0800; 8800.0100, subparts 7, 36; 8800.1200, subpart 3; 8800.3500; 8800.3700; 8800.4000; 8810.4200; 8810.4500; 8810.4600; 8810.4700; 8810.4800; 8810.4900; 8810.5000; 8810.5100; 8810.5500; 8810.9920; 8810.9921; 8850.6900, subparts 4, 6, 11, 12, 17; 8850.7000; 8850.7025; 8850.7040; 8850.7100; 8850.7900; 8850.8200; 8850.8900; 8850.9000; 8850.9050, subparts 1, 2; 8900.0100; 8900.0200; 8900.0300; 8900.0400; 8900.0500; 8900.0600; 8900.0700; 8900.0800; 8900.0900; 8900.1000; 8900.1100; 8910.1000; 8910.2000; 8910.2100; 8910.3000; 8910.3100.

The bill was read for the third time, as amended, and placed upon its final passage.

The question was taken on the passage of the bill and the roll was called. There were 82 yeas and 50 nays as follows:

Those who voted in the affirmative were:

|              |            |             |            |            |              |
|--------------|------------|-------------|------------|------------|--------------|
| Abeler       | Davids     | Harder      | Lindgren   | Penas      | Swenson      |
| Abrams       | DeLaForest | Heidgerken  | Lindner    | Powell     | Sykora       |
| Adolphson    | Demmer     | Holberg     | Lipman     | Rhodes     | Tingelstad   |
| Anderson, B. | Dempsey    | Hoppe       | Magnus     | Ruth       | Urdahl       |
| Anderson, J. | Dorman     | Howes       | McNamara   | Samuelson  | Vandever     |
| Beard        | Eastlund   | Jacobson    | Meslow     | Seagren    | Walz         |
| Blaine       | Erhardt    | Johnson, J. | Nelson, C. | Seifert    | Wardlow      |
| Borrell      | Erickson   | Kielkucki   | Nelson, P. | Severson   | Westerberg   |
| Boudreau     | Finstad    | Klinzing    | Nornes     | Sieben     | Westrom      |
| Bradley      | Fuller     | Knoblach    | Olsen, S.  | Simpson    | Wilkin       |
| Brod         | Gerlach    | Kohls       | Olson, M.  | Smith      | Zellers      |
| Buesgens     | Gunther    | Krinkie     | Osterman   | Soderstrom | Spk. Sviggum |
| Cornish      | Haas       | Kuisle      | Ozment     | Stang      |              |
| Cox          | Hackbarth  | Lanning     | Paulsen    | Strachan   |              |

Those who voted in the negative were:

|              |           |             |            |          |         |
|--------------|-----------|-------------|------------|----------|---------|
| Anderson, I. | Eken      | Huntley     | Lesch      | Otremba  | Solberg |
| Atkins       | Ellison   | Jaros       | Lieder     | Otto     | Thao    |
| Bernardy     | Entenza   | Johnson, S. | Mahoney    | Paymar   | Thissen |
| Biernat      | Goodwin   | Juhnke      | Mariani    | Pelowski | Walker  |
| Carlson      | Greiling  | Kelliher    | Marquart   | Peterson | Wasiluk |
| Clark        | Hausman   | Koenen      | Mullery    | Pugh     |         |
| Davnie       | Hilstrom  | Larson      | Murphy     | Rukavina |         |
| Dill         | Hilty     | Latz        | Nelson, M. | Sertich  |         |
| Dorn         | Hornstein | Lenczewski  | Opatz      | Slawik   |         |

The bill was passed, as amended, and its title agreed to.

The Speaker called Abrams to the Chair.

#### TAKEN FROM THE TABLE

Howes moved that H. F. No. 13, as amended, be taken from the table. The motion prevailed.

#### MOTION FOR RECONSIDERATION

Howes moved that the action whereby H. F. No. 13, as amended, was given its third reading on Friday, May 23, 2003, be now reconsidered. The motion prevailed.

H. F. No. 13 was reported to the House.

Howes moved to amend H. F. No. 13, the first engrossment, as follows:

Page 32, delete section 34

ReNUMBER the sections in sequence and correct the internal references

Amend the title accordingly

The motion prevailed and the amendment was adopted.

H. F. No. 13, A bill for an act relating to state lands; modifying certain boundary waters canoe area provisions; providing for certain state land acquisition; modifying the Mississippi whitewater trail; modifying provisions of the outdoor recreation system; establishing a mineral coordinating committee; establishing boundaries for a proposed state park; adding to and deleting from state parks, state recreation areas, state forests, and wildlife management areas; authorizing public and private sales and conveyances of certain state lands; requiring certain land exchanges; modifying certain appropriations conditions; amending Minnesota Statutes 2002, sections 84.523, by adding a subdivision; 85.013, subdivision 1; 85.0156, subdivision 1; 86A.04; Laws 2001, First Special Session chapter 2, section 14, subdivision 4; proposing coding for new law in Minnesota Statutes, chapter 93.

The bill was read for the third time, as amended, and placed upon its final passage.

The question was taken on the passage of the bill and the roll was called. There were 102 yeas and 29 nays as follows:

Those who voted in the affirmative were:

|              |            |             |            |           |              |
|--------------|------------|-------------|------------|-----------|--------------|
| Abeler       | Demmer     | Holberg     | Lieder     | Otremba   | Smith        |
| Abrams       | Dill       | Hoppe       | Lindgren   | Ozment    | Soderstrom   |
| Anderson, I. | Dorman     | Hornstein   | Lindner    | Paulsen   | Solberg      |
| Anderson, J. | Dorn       | Howes       | Lipman     | Penas     | Stang        |
| Atkins       | Eastlund   | Huntley     | Magnus     | Peterson  | Strachan     |
| Beard        | Eken       | Jacobson    | Mahoney    | Powell    | Swenson      |
| Blaine       | Ellison    | Johnson, J. | Marquart   | Pugh      | Sykora       |
| Boudreau     | Entenza    | Juhnke      | McNamara   | Rhodes    | Thissen      |
| Bradley      | Erhardt    | Kelliher    | Meslow     | Rukavina  | Tingelstad   |
| Brod         | Finstad    | Kielkucki   | Mullery    | Ruth      | Urdahl       |
| Carlson      | Fuller     | Klinzing    | Murphy     | Samuelson | Walz         |
| Clark        | Gunther    | Knoblach    | Nelson, C. | Seagren   | Wardlow      |
| Cornish      | Haas       | Koenen      | Nelson, M. | Seifert   | Wasiluk      |
| Cox          | Hackbarth  | Kohls       | Nelson, P. | Sertich   | Westerberg   |
| Davids       | Harder     | Kuisle      | Nornes     | Severson  | Westrom      |
| Davnie       | Heidgerken | Lanning     | Olsen, S.  | Simpson   | Zellers      |
| DeLaForest   | Hilty      | Lesch       | Osterman   | Slawik    | Spk. Sviggum |

Those who voted in the negative were:

|              |          |             |            |           |          |
|--------------|----------|-------------|------------|-----------|----------|
| Adolphson    | Buesgens | Greiling    | Krinkie    | Olson, M. | Thao     |
| Anderson, B. | Dempsey  | Hausman     | Larson     | Opatz     | Vandever |
| Bernardy     | Erickson | Hilstrom    | Latz       | Otto      | Walker   |
| Biernat      | Gerlach  | Jaros       | Lenczewski | Pelowski  | Wilkin   |
| Borrell      | Goodwin  | Johnson, S. | Mariani    | Sieben    |          |

The bill was passed, as amended, and its title agreed to.

The Speaker resumed the Chair.

### FISCAL CALENDAR, Continued

Pursuant to rule 1.22, Abrams requested immediate consideration of H. F. No. 7.

H. F. No. 7 was reported to the House.

Abrams moved to amend H. F. No. 7 as follows:

Delete everything after the enacting clause and insert:

#### "ARTICLE 1

#### JOB OPPORTUNITY BUILDING ZONES

Section 1. Minnesota Statutes 2002, section 272.02, is amended by adding a subdivision to read:

Subd. 56. [JOB OPPORTUNITY BUILDING ZONE PROPERTY.] (a) Improvements to real property, and personal property, classified under section 273.13, subdivision 24, and located within a job opportunity building zone, designated under section 469.314, are exempt from ad valorem taxes levied under chapter 275.

(b) Improvements to real property, and tangible personal property, of an agricultural production facility located within an agricultural processing facility zone, designated under section 469.314, is exempt from ad valorem taxes levied under chapter 275.

(c) For property to qualify for exemption under paragraph (a), the occupant must be a qualified business, as defined in section 469.310.

(d) The exemption applies beginning for the first assessment year after designation of the job opportunity building zone by the commissioner of trade and economic development. The exemption applies to each assessment year that begins during the duration of the job opportunity building zone and to property occupied by July 1 of the assessment year by a qualified business. This exemption does not apply to:

(1) the levy under section 475.61 or similar levy provisions under any other law to pay general obligation bonds; or

(2) a levy under section 126C.17, if the levy was approved by the voters before the designation of the job opportunity building zone.

[EFFECTIVE DATE.] This section is effective beginning for property taxes assessed in 2004, payable in 2005.



Sec. 2. Minnesota Statutes 2002, section 272.029, is amended by adding a subdivision to read:

Subd. 7. [EXEMPTION.] The tax imposed under this section does not apply to electricity produced by wind energy conversion systems located in a job opportunity building zone, designated under section 469.314, for the duration of the zone. The exemption applies beginning for the first calendar year after designation of the zone and applies to each calendar year that begins during the designation of the zone.

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

Sec. 3. Minnesota Statutes 2002, 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) income as provided under section 290.0802;

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

(6) to the extent not deducted 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(1) of the Internal Revenue Code or excluded from income or (B) the total amount deductible for medical care under section 213(a);

(7) the exemption amount allowed under Laws 1995, chapter 255, article 3, section 2, subdivision 3;

(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;

(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;

(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;

(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; and

(13) job opportunity building zone income as provided under section 469.316.

**[EFFECTIVE DATE.]** This section is effective for taxable years beginning after December 31, 2003.

Sec. 4. Minnesota Statutes 2002, section 290.01, subdivision 29, is amended to read:

Subd. 29. [TAXABLE INCOME.] The term "taxable income" means:

- (1) for individuals, estates, and trusts, the same as taxable net income;
- (2) for corporations, the taxable net income less
  - (i) the net operating loss deduction under section 290.095; ~~and~~

(ii) the dividends received deduction under section 290.21, subdivision 4; and

(iii) the exemption for operating in a job opportunity building zone under section 469.317.

**[EFFECTIVE DATE.]** This section is effective for taxable years beginning after December 31, 2003.

Sec. 5. Minnesota Statutes 2002, section 290.06, subdivision 2c, is amended to read:

Subd. 2c. [SCHEDULES OF RATES FOR INDIVIDUALS, ESTATES, AND TRUSTS.] (a) The income taxes imposed by this chapter upon married individuals filing joint returns and surviving spouses as defined in section 2(a) of the Internal Revenue Code must be computed by applying to their taxable net income the following schedule of rates:

- (1) On the first \$25,680, 5.35 percent;
- (2) On all over \$25,680, but not over \$102,030, 7.05 percent;
- (3) On all over \$102,030, 7.85 percent.

Married individuals filing separate returns, estates, and trusts must compute their income tax by applying the above rates to their taxable income, except that the income brackets will be one-half of the above amounts.

(b) The income taxes imposed by this chapter upon unmarried individuals must be computed by applying to taxable net income the following schedule of rates:

- (1) On the first \$17,570, 5.35 percent;
- (2) On all over \$17,570, but not over \$57,710, 7.05 percent;
- (3) On all over \$57,710, 7.85 percent.

(c) The income taxes imposed by this chapter upon unmarried individuals qualifying as a head of household as defined in section 2(b) of the Internal Revenue Code must be computed by applying to taxable net income the following schedule of rates:

- (1) On the first \$21,630, 5.35 percent;
- (2) On all over \$21,630, but not over \$86,910, 7.05 percent;
- (3) On all over \$86,910, 7.85 percent.

(d) In lieu of a tax computed according to the rates set forth in this subdivision, the tax of any individual taxpayer whose taxable net income for the taxable year is less than an amount determined by the commissioner must be computed in accordance with tables prepared and issued by the commissioner of revenue based on income brackets of not more than \$100. The amount of tax for each bracket shall be computed at the rates set forth in this subdivision, provided that the commissioner may disregard a fractional part of a dollar unless it amounts to 50 cents or more, in which case it may be increased to \$1.

(e) An individual who is not a Minnesota resident for the entire year must compute the individual's Minnesota income tax as provided in this subdivision. After the application of the nonrefundable credits provided in this chapter, the tax liability must then be multiplied by a fraction in which:

(1) the numerator is the individual's Minnesota source federal adjusted gross income as defined in section 62 of the Internal Revenue Code and increased by the additions required under section 290.01, subdivision 19a, clauses (1) and (6), and reduced by the subtraction under section 290.01, subdivision 19b, clause (13), and the Minnesota assignable portion of the subtraction for United States government interest under section 290.01, subdivision 19b, clause (1), after applying the allocation and assignability provisions of section 290.081, clause (a), or 290.17; and

(2) the denominator is the individual's federal adjusted gross income as defined in section 62 of the Internal Revenue Code of 1986, increased by the amounts specified in section 290.01, subdivision 19a, clauses (1) and (6), and reduced by the amounts specified in section 290.01, subdivision 19b, ~~clause~~ clauses (1) and (13).

**[EFFECTIVE DATE.]** This section is effective for taxable years beginning after December 31, 2003.

Sec. 6. Minnesota Statutes 2002, section 290.06, is amended by adding a subdivision to read:

Subd. 29. [JOB OPPORTUNITY BUILDING ZONE JOB CREDIT.] A taxpayer that is a qualified business, as defined in section 469.310, subdivision 11, is allowed a credit as determined under section 469.318 against the tax imposed by this chapter.

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

Sec. 7. Minnesota Statutes 2002, section 290.067, subdivision 1, is amended to read:

Subdivision 1. [AMOUNT OF CREDIT.] (a) A taxpayer may take as a credit against the tax due from the taxpayer and a spouse, if any, under this chapter an amount equal to the dependent care credit for which the taxpayer is eligible pursuant to the provisions of section 21 of the Internal Revenue Code subject to the limitations provided in subdivision 2 except that in determining whether the child qualified as a dependent, income received as a Minnesota family investment program grant or allowance to or on behalf of the child must not be taken into account in determining whether the child received more than half of the child's support from the taxpayer, and the provisions of section 32(b)(1)(D) of the Internal Revenue Code do not apply.

(b) If a child who has not attained the age of six years at the close of the taxable year is cared for at a licensed family day care home operated by the child's parent, the taxpayer is deemed to have paid employment-related expenses. If the child is 16 months old or younger at the close of the taxable year, the amount of expenses deemed to have been paid equals the maximum limit for one qualified individual under section 21(c) and (d) of the Internal Revenue Code. If the child is older than 16 months of age but has not attained the age of six years at the close of the taxable year, the amount of expenses deemed to have been paid equals the amount the licensee would charge for the care of a child of the same age for the same number of hours of care.

(c) If a married couple:

(1) has a child who has not attained the age of one year at the close of the taxable year;

(2) files a joint tax return for the taxable year; and

(3) does not participate in a dependent care assistance program as defined in section 129 of the Internal Revenue Code, in lieu of the actual employment related expenses paid for that child under paragraph (a) or the deemed amount under paragraph (b), the lesser of (i) the combined earned income of the couple or (ii) the amount of the maximum limit for one qualified individual under section 21(c) and (d) of the Internal Revenue Code will be deemed to be the employment related expense paid for that child. The earned income limitation of section 21(d) of the Internal Revenue Code shall not apply to this deemed amount. These deemed amounts apply regardless of whether any employment-related expenses have been paid.

(d) If the taxpayer is not required and does not file a federal individual income tax return for the tax year, no credit is allowed for any amount paid to any person unless:

(1) the name, address, and taxpayer identification number of the person are included on the return claiming the credit; or

(2) if the person is an organization described in section 501(c)(3) of the Internal Revenue Code and exempt from tax under section 501(a) of the Internal Revenue Code, the name and address of the person are included on the return claiming the credit.

In the case of a failure to provide the information required under the preceding sentence, the preceding sentence does not apply if it is shown that the taxpayer exercised due diligence in attempting to provide the information required.

In the case of a nonresident, part-year resident, or a person who has earned income not subject to tax under this chapter including earned income excluded pursuant to section 290.01, subdivision 19b, clause (13), 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 taxable years beginning after December 31, 2003.

Sec. 8. Minnesota Statutes 2002, section 290.0671, subdivision 1, is amended to read:

Subdivision 1. [CREDIT ALLOWED.] (a) An individual is allowed a credit against the tax imposed by this chapter equal to a percentage of earned income. To receive a credit, a taxpayer must be eligible for a credit under section 32 of the Internal Revenue Code.

(b) For individuals with no qualifying children, the credit equals 1.9125 percent of the first \$4,620 of earned income. The credit is reduced by 1.9125 percent of earned income or modified adjusted gross income, whichever is greater, in excess of \$5,770, but in no case is the credit less than zero.

(c) For individuals with one qualifying child, the credit equals 8.5 percent of the first \$6,920 of earned income and 8.5 percent of earned income over \$12,080 but less than \$13,450. The credit is reduced by 5.73 percent of earned income or modified adjusted gross income, whichever is greater, in excess of \$15,080, but in no case is the credit less than zero.

(d) For individuals with two or more qualifying children, the credit equals ten percent of the first \$9,720 of earned income and 20 percent of earned income over \$14,860 but less than \$16,800. The credit is reduced by 10.3 percent of earned income or modified adjusted gross income, whichever is greater, in excess of \$17,890, but in no case is the credit less than zero.

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

(f) For a person who was a resident for the entire tax year and has earned income not subject to tax under this chapter including income excluded under section 290.01, subdivision 19b, clause (13), the credit must be allocated based on the ratio of federal adjusted gross income reduced by the earned income not subject to tax under this chapter over federal adjusted gross income.

(g) For tax years beginning after December 31, 2001, and before December 31, 2004, the \$5,770 in paragraph (b) is increased to \$6,770, the \$15,080 in paragraph (c) is increased to \$16,080, and the \$17,890 in paragraph (d) is increased to \$18,890 for married taxpayers filing joint returns.

(h) For tax years beginning after December 31, 2004, and before December 31, 2007, the \$5,770 in paragraph (b) is increased to \$7,770, the \$15,080 in paragraph (c) is increased to \$17,080, and the \$17,890 in paragraph (d) is increased to \$19,890 for married taxpayers filing joint returns.

(i) For tax years beginning after December 31, 2007, and before December 31, 2010, the \$5,770 in paragraph (b) is increased to \$8,770, the \$15,080 in paragraph (c) is increased to \$18,080 and the \$17,890 in paragraph (d) is increased to \$20,890 for married taxpayers filing joint returns.

(j) The commissioner shall construct tables showing the amount of the credit at various income levels and make them available to taxpayers. The tables shall follow the schedule contained in this subdivision, except that the commissioner may graduate the transition between income brackets.

**[EFFECTIVE DATE.]** This section is effective for taxable years beginning after December 31, 2003.

Sec. 9. Minnesota Statutes 2002, section 290.091, subdivision 2, is amended to read:

Subd. 2. [DEFINITIONS.] For purposes of the tax imposed by this section, the following terms have the meanings given:

(a) "Alternative minimum taxable income" means the sum of the following for the taxable year:

(1) the taxpayer's federal alternative minimum taxable income as defined in section 55(b)(2) of the Internal Revenue Code;

(2) the taxpayer's itemized deductions allowed in computing federal alternative minimum taxable income, but excluding:

(i) the charitable contribution deduction under section 170 of the Internal Revenue Code to the extent that the deduction exceeds 1.3 percent of adjusted gross income, as defined in section 62 of the Internal Revenue Code;

(ii) the medical expense deduction;

(iii) the casualty, theft, and disaster loss deduction; and

(iv) the impairment-related work expenses of a disabled person;

(3) for depletion allowances computed under section 613A(c) of the Internal Revenue Code, with respect to each property (as defined in section 614 of the Internal Revenue Code), to the extent not included in federal alternative minimum taxable income, the excess of the deduction for depletion allowable under section 611 of the Internal Revenue Code for the taxable year over the adjusted basis of the property at the end of the taxable year (determined without regard to the depletion deduction for the taxable year);

(4) to the extent not included in federal alternative minimum taxable income, the amount of the tax preference for intangible drilling cost under section 57(a)(2) of the Internal Revenue Code determined without regard to subparagraph (E);

(5) to the extent not included in federal alternative minimum taxable income, the amount of interest income as provided by section 290.01, subdivision 19a, clause (1); and

(6) the amount of addition required by section 290.01, subdivision 19a, 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~~ clauses (12) and (13).

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.

**[EFFECTIVE DATE.]** This section is effective for taxable years beginning after December 31, 2003.

Sec. 10. Minnesota Statutes 2002, 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) The special rule for certain dividends under section 56(g)(4)(C)(ii) of the Internal Revenue Code does not apply.

(6) The special rule for dividends from section 936 companies under section 56(g)(4)(C)(iii) does not apply.

(7) The tax preference for depletion under section 57(a)(1) of the Internal Revenue Code does not apply.

(8) The tax preference for intangible drilling costs under section 57(a)(2) of the Internal Revenue Code must be calculated without regard to subparagraph (E) and the subtraction under section 290.01, subdivision 19d, clause (4).

(9) The tax preference for tax exempt interest under section 57(a)(5) of the Internal Revenue Code does not apply.

(10) The tax preference for charitable contributions of appreciated property under section 57(a)(6) of the Internal Revenue Code does not apply.

(11) For purposes of calculating the tax preference for accelerated depreciation or amortization on certain property placed in service before January 1, 1987, under section 57(a)(7) of the Internal Revenue Code, the deduction allowable for the taxable year is the deduction allowed under section 290.01, subdivision 19e.

For taxable years beginning after December 31, 2000, the amount of any remaining modification made under section 290.01, subdivision 19e, not previously deducted is a depreciation or amortization allowance in the first taxable year after December 31, 2004.

(12) For purposes of calculating the adjustment for adjusted current earnings in section 56(g) of the Internal Revenue Code, the term "alternative minimum taxable income" as it is used in section 56(g) of the Internal Revenue Code, means alternative minimum taxable income as defined in this subdivision, determined without regard to the adjustment for adjusted current earnings in section 56(g) of the Internal Revenue Code.

(13) For purposes of determining the amount of adjusted current earnings under section 56(g)(3) of the Internal Revenue Code, no adjustment shall be made under section 56(g)(4) of the Internal Revenue Code with respect to (i) the amount of foreign dividend gross-up subtracted as provided in section 290.01, subdivision 19d, clause (1), (ii) the amount of refunds of income, excise, or franchise taxes subtracted as provided in section 290.01, subdivision 19d, clause (10), or (iii) the amount of royalties, fees or other like income subtracted as provided in section 290.01, subdivision 19d, clause (11).

(14) Alternative minimum taxable income excludes the income from operating in a job opportunity building zone as provided under section 469.317.

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 taxable years beginning after December 31, 2003.



Sec. 11. Minnesota Statutes 2002, section 290.0922, subdivision 2, is amended to read:

Subd. 2. [EXEMPTIONS.] The following entities are exempt from the tax imposed by this section:

(1) corporations exempt from tax under section 290.05;

(2) real estate investment trusts;

(3) regulated investment companies or a fund thereof; and

(4) entities having a valid election in effect under section 860D(b) of the Internal Revenue Code;

(5) town and farmers' mutual insurance companies; ~~and~~

(6) cooperatives organized under chapter 308A that provide housing exclusively to persons age 55 and over and are classified as homesteads under section 273.124, subdivision 3; and

(7) an entity, if for the taxable year all of its property is located in a job opportunity building zone designated under section 469.314 and all of its payroll is a job opportunity building zone payroll under section 469.310.

Entities not specifically exempted by this subdivision are subject to tax under this section, notwithstanding section 290.05.

**[EFFECTIVE DATE.]** This section is effective for taxable years beginning after December 31, 2003.

Sec. 12. Minnesota Statutes 2002, section 290.0922, subdivision 3, is amended to read:

Subd. 3. [DEFINITIONS.] (a) "Minnesota sales or receipts" means the total sales apportioned to Minnesota pursuant to section 290.191, subdivision 5, the total receipts attributed to Minnesota pursuant to section 290.191, subdivisions 6 to 8, and/or the total sales or receipts apportioned or attributed to Minnesota pursuant to any other apportionment formula applicable to the taxpayer.

(b) "Minnesota property" means total Minnesota tangible property as provided in section 290.191, subdivisions 9 to 11, and any other tangible property located in Minnesota, but does not include property located in a job opportunity building zone designated under section 469.314. Intangible property shall not be included in Minnesota property for purposes of this section. Taxpayers who do not utilize tangible property to apportion income shall nevertheless include Minnesota property for purposes of this section. On a return for a short taxable year, the amount of Minnesota property owned, as determined under section 290.191, shall be included in Minnesota property based on a fraction in which the numerator is the number of days in the short taxable year and the denominator is 365.

(c) "Minnesota payrolls" means total Minnesota payrolls as provided in section 290.191, subdivision 12, but does not include job opportunity building zone payrolls under section 469.310, subdivision 8. Taxpayers who do not utilize payrolls to apportion income shall nevertheless include Minnesota payrolls for purposes of this section.

**[EFFECTIVE DATE.]** This section is effective for taxable years beginning after December 31, 2003.

Sec. 13. Minnesota Statutes 2002, section 297A.68, is amended by adding a subdivision to read:

Subd. 37. [JOB OPPORTUNITY BUILDING ZONES.] (a) Purchases of tangible personal property or taxable services by a qualified business, as defined in section 469.310, are exempt if the property or services are primarily used or consumed in a job opportunity building zone designated under section 469.314.

(b) Purchase and use of construction materials and supplies for construction of improvements to real property in a job opportunity building zone are exempt if the improvements after completion of construction are to be used in the conduct of a qualified business, as defined in section 469.310. This exemption applies regardless of whether the purchases are made by the business or a contractor.

(c) The exemptions under this subdivision apply to a local sales and use tax regardless of whether the local sales tax is imposed on the sales taxable as defined under this chapter.

(d) This subdivision applies to sales, if the purchase was made and delivery received during the duration of the zone.

[EFFECTIVE DATE.] This section is effective for sales made on or after the day following final enactment.

Sec. 14. Minnesota Statutes 2002, section 297B.03, is amended to read:

297B.03 [EXEMPTIONS.]

There is specifically exempted from the provisions of this chapter and from computation of the amount of tax imposed by it the following:

(1) purchase or use, including use under a lease purchase agreement or installment sales contract made pursuant to section 465.71, of any motor vehicle by the United States and its agencies and instrumentalities and by any person described in and subject to the conditions provided in section 297A.67, subdivision 11;

(2) purchase or use of any motor vehicle by any person who was a resident of another state or country at the time of the purchase and who subsequently becomes a resident of Minnesota, provided the purchase occurred more than 60 days prior to the date such person began residing in the state of Minnesota and the motor vehicle was registered in the person's name in the other state or country;

(3) purchase or use of any motor vehicle by any person making a valid election to be taxed under the provisions of section 297A.90;

(4) purchase or use of any motor vehicle previously registered in the state of Minnesota when such transfer constitutes a transfer within the meaning of section 118, 331, 332, 336, 337, 338, 351, 355, 368, 721, 731, 1031, 1033, or 1563(a) of the Internal Revenue Code of 1986, as amended through December 31, 1999;

(5) purchase or use of any vehicle owned by a resident of another state and leased to a Minnesota based private or for hire carrier for regular use in the transportation of persons or property in interstate commerce provided the vehicle is titled in the state of the owner or secured party, and that state does not impose a sales tax or sales tax on motor vehicles used in interstate commerce;

(6) purchase or use of a motor vehicle by a private nonprofit or public educational institution for use as an instructional aid in automotive training programs operated by the institution. "Automotive training programs" includes motor vehicle body and mechanical repair courses but does not include driver education programs;

(7) purchase of a motor vehicle for use as an ambulance by an ambulance service licensed under section 144E.10;

(8) purchase of a motor vehicle by or for a public library, as defined in section 134.001, subdivision 2, as a bookmobile or library delivery vehicle;

(9) purchase of a ready-mixed concrete truck;

(10) purchase or use of a motor vehicle by a town for use exclusively for road maintenance, including snowplows and dump trucks, but not including automobiles, vans, or pickup trucks;

(11) purchase or use of a motor vehicle by a corporation, society, association, foundation, or institution organized and operated exclusively for charitable, religious, or educational purposes, except a public school, university, or library, but only if the vehicle is:

(i) a truck, as defined in section 168.011, a bus, as defined in section 168.011, or a passenger automobile, as defined in section 168.011, if the automobile is designed and used for carrying more than nine persons including the driver; and

(ii) intended to be used primarily to transport tangible personal property or individuals, other than employees, to whom the organization provides service in performing its charitable, religious, or educational purpose;

(12) purchase of a motor vehicle for use by a transit provider exclusively to provide transit service is exempt if the transit provider is either (i) receiving financial assistance or reimbursement under section 174.24 or 473.384, or (ii) operating under section 174.29, 473.388, or 473.405;

(13) purchase or use of a motor vehicle by a qualified business, as defined in section 469.310, located in a job opportunity building zone, if the motor vehicle is principally garaged in the job opportunity building zone and is primarily used as part of or in direct support of the person's operations carried on in the job opportunity building zone. The exemption under this clause applies to sales, if the purchase was made and delivery received during the duration of the job opportunity building zone. The exemption under this clause also applies to any local sales and use tax.

**[EFFECTIVE DATE.]** This section is effective for sales made after December 31, 2003.

Sec. 15. [469.310] [DEFINITIONS.]

Subdivision 1. [SCOPE.] For purposes of sections 469.310 to 469.320, the following terms have the meanings given.

Subd. 2. [AGRICULTURAL PROCESSING FACILITY.] "Agricultural processing facility" means one or more facilities or operations that transform, package, sort, or grade 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, and surrounding property.

Subd. 3. [APPLICANT.] "Applicant" means a local government unit or units applying for designation of an area as a job opportunity building zone or a joint powers board, established under section 471.59, acting on behalf of two or more local government units.

Subd. 4. [COMMISSIONER.] "Commissioner" means the commissioner of trade and economic development.

Subd. 5. [DEVELOPMENT PLAN.] "Development plan" means a plan meeting the requirements of section 469.311.

Subd. 6. [JOB OPPORTUNITY BUILDING ZONE OR ZONE.] "Job opportunity building zone" or "zone" means a zone designated by the commissioner under section 469.314, and includes an agricultural processing facility zone.

Subd. 7. [JOB OPPORTUNITY BUILDING ZONE PERCENTAGE OR ZONE PERCENTAGE.] "Job opportunity building zone percentage" or "zone percentage" means the following fraction reduced to a percentage:

(1) the numerator of the fraction is:

(i) the ratio of the taxpayer's property factor under section 290.191 located in the zone for the taxable year over the property factor numerator determined under section 290.191, plus

(ii) the ratio of the taxpayer's job opportunity building zone payroll factor under subdivision 8 over the payroll factor numerator determined under section 290.191; and

(2) the denominator of the fraction is two.

When calculating the zone percentage for a business that is part of a unitary business as defined under section 290.17, subdivision 4, the denominator of the payroll and property factors is the Minnesota payroll and property of the unitary business as reported on the combined report under section 290.17, subdivision 4, paragraph (j).

Subd. 8. [JOB OPPORTUNITY BUILDING ZONE PAYROLL FACTOR.] "Job opportunity building zone payroll factor" or "job opportunity building zone payroll" is that portion of the payroll factor under section 290.191 that represents:

(1) wages or salaries paid to an individual for services performed in a job opportunity building zone; or

(2) wages or salaries paid to individuals working from offices within a job opportunity building zone if their employment requires them to work outside the zone and the work is incidental to the work performed by the individual within the zone.

Subd. 9. [LOCAL GOVERNMENT UNIT.] "Local government unit" means a statutory or home rule charter city, county, town, iron range resources and rehabilitation agency, regional development commission, or a federally designated economic development district.

Subd. 10. [PERSON.] "Person" includes an individual, corporation, partnership, limited liability company, association, or any other entity.

Subd. 11. [QUALIFIED BUSINESS.] (a) "Qualified business" means a person carrying on a trade or business at a place of business located within a job opportunity building zone.

(b) A person that relocates a trade or business from outside a job opportunity building zone into a zone is not a qualified business, unless the business:

(1)(i) increases full-time employment in the first full year of operation within the job opportunity building zone by at least 20 percent measured relative to the operations that were relocated and maintains the required level of employment for each year the zone designation applies; or

(ii) makes a capital investment in the property located within a zone equivalent to ten percent of the gross revenues of operation that were relocated in the immediately preceding taxable year; and

(2) enters a binding written agreement with the commissioner that:

(i) pledges the business will meet the requirements of clause (1);

(ii) provides for repayment of all tax benefits enumerated under section 469.315 to the business under the procedures in section 469.319, if the requirements of clause (1) are not met for the taxable year or for taxes payable during the year in which the requirements were not met; and

(iii) contains any other terms the commissioner determines appropriate.

Subd. 12. [RELOCATES.] (a) "Relocates" means that the trade or business:

(1) ceases one or more operations or functions at another location in Minnesota and begins performing substantially the same operations or functions at a location in a job opportunity building zone; or

(2) reduces employment at another location in Minnesota during a period starting one year before and ending one year after it begins operations in a job opportunity building zone and its employees in the job opportunity building zone are engaged in the same line of business as the employees at the location where it reduced employment.

(b) "Relocate" does not include an expansion by a business that establishes a new facility that does not replace or supplant an existing operation or employment, in whole or in part.

(c) "Trade or business" includes any business entity that is substantially similar in operation or ownership to the business entity seeking to be a qualified business under this section.

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

Sec. 16. [469.311] [DEVELOPMENT PLAN.]

(a) An applicant for designation of a job opportunity building zone must adopt a written development plan for the zone before submitting the application to the commissioner.

(b) The development plan must contain, at least, the following:

(1) a map of the proposed zone that indicates the geographic boundaries of the zone, the total area, and present use and conditions generally of the land and structures within those boundaries;

(2) evidence of community support and commitment from local government, local workforce investment boards, school districts, and other education institutions, business groups, and the public;

(3) a description of the methods proposed to increase economic opportunity and expansion, facilitate infrastructure improvement, reduce the local regulatory burden, and identify job-training opportunities;

(4) current social, economic, and demographic characteristics of the proposed zone and anticipated improvements in education, health, human services, and employment if the zone is created;

(5) a description of anticipated activity in the zone and each subzone, including, but not limited to, industrial use, industrial site reuse, commercial or retail use, and residential use; and

(6) any other information required by the commissioner.

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

Sec. 17. [469.312] [JOB OPPORTUNITY BUILDING ZONES; LIMITATIONS.]

Subdivision 1. [MAXIMUM SIZE.] A job opportunity building zone may not exceed 5,000 acres. For a zone designated as an agricultural processing facility zone, the zone also may not exceed the size of a site necessary for the agricultural processing facility, including ancillary operations and space for expansion in the reasonably foreseeable future.

Subd. 2. [SUBZONES.] The area of a job opportunity building zone may consist of one or more noncontiguous areas or subzones.

Subd. 3. [OUTSIDE METROPOLITAN AREA.] The area of a job opportunity building zone must be located outside of the metropolitan area, as defined in section 473.121, subdivision 2.

Subd. 4. [BORDER CITY DEVELOPMENT ZONES.] (a) The area of a job opportunity building zone may not include the area of a border city development zone designated under section 469.1731. The city may remove property from a border city development zone contingent upon the area being designated as a job opportunity building zone. Before removing a parcel of property from a border city development zone, the city must obtain the written consent to the removal from each recipient that is located on the parcel and receives incentives under the border city development zone. Consent of any other property owner or taxpayer in the border city development zone is not required.

(b) A city may not provide tax incentives under section 469.1734 to individuals or businesses for operations or activity in a job opportunity building zone.

Subd. 5. [DURATION LIMIT.] The maximum duration of a zone is 12 years. The applicant may request a shorter duration. The commissioner may specify a shorter duration, regardless of the requested duration.

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

Sec. 18. [469.313] [APPLICATION FOR DESIGNATION.]

Subdivision 1. [WHO MAY APPLY.] One or more local government units, or a joint powers board under section 471.59, acting on behalf of two or more units, may apply for designation of an area as a job opportunity building zone. All or part of the area proposed for designation as a zone must be located within the boundaries of each of the governmental units. A local government unit may not submit or have submitted on its behalf more than one application for designation of a job opportunity building zone.

Subd. 2. [APPLICATION CONTENT.] The application must include:

(1) a development plan meeting the requirements of section 469.311;

(2) the proposed duration of the zone, not to exceed 12 years;

(3) a resolution or ordinance adopted by each of the cities or towns and the counties in which the zone is located, agreeing to provide all of the local tax exemptions provided under section 469.315;

(4) if the proposed zone includes area in a border city development zone, written consent to removal of the property from the border city development zone to the extent required by section 469.312, subdivision 4;

(5) an agreement by the applicant to treat incentives provided under the zone designation as business subsidies under sections 116J.993 to 116J.995 and to comply with the requirements of that law; and

(6) supporting evidence to allow the commissioner to evaluate the application under the criteria in section 469.314.

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

Sec. 19. [469.314] [DESIGNATION OF JOB OPPORTUNITY BUILDING ZONES.]

Subdivision 1. [COMMISSIONER TO DESIGNATE.] (a) The commissioner, in consultation with the commissioner of revenue, shall designate not more than ten job opportunity building zones. In making the designations, the commissioner shall consider need and likelihood of success to yield the most economic development and revitalization of economically distressed rural areas of Minnesota.

(b) In addition to the designations under paragraph (a), the commissioner may, in consultation with the commissioners of agriculture and revenue, designate up to five agricultural processing facility zones.

(c) The commissioner may, upon designation of a zone, modify the development plan, including the boundaries of the zone or subzones, if in the commissioner's opinion a modified plan would better meet the objectives of the job opportunity building zone program. The commissioner shall notify the applicant of the modification and provide a statement of the reasons for the modifications.

Subd. 2. [NEED INDICATORS.] (a) In evaluating applications to determine the need for designation of a job opportunity building zone, the commissioner shall consider the following factors as indicators of need:

(1) the percentage of the population that is below 200 percent of the poverty rate, compared with the state as a whole;

(2) the extent to which the area's average weekly wage is significantly lower than the state average weekly wage;

(3) the amount of property in or near the proposed zone that is deteriorated or underutilized;

(4) the extent to which the median sale price of housing units in the area is below the state median;

(5) the extent to which the median household income of the area is lower than the state median household income;

(6) the extent to which the area experienced a population loss during the 20-year period ending the year before the application is made;

(7) the extent to which an area has experienced sudden or severe job loss as a result of closing of businesses or other employers;

(8) the extent to which property in the area would remain underdeveloped or nonperforming due to physical characteristics;

(9) the extent to which the area has substantial real property with adequate infrastructure and energy to support new or expanded development; and

(10) the extent to which the business startup or expansion rates are significantly lower than the respective rate for the state.

(b) In applying the need indicators, the best available data should be used. If reported data are not available for the proposed zone, data for the smallest area that is available and includes the area of the proposed zone may be used. The commissioner may require applicants to provide data to demonstrate how the area meets one or more of the indicators of need.

Subd. 3. [SUCCESS INDICATORS.] In determining the likelihood of success of a proposed zone, the commissioner shall consider:

(1) the strength and viability of the proposed development goals, objectives, and strategies in the development plan;

(2) whether the development plan is creative and innovative in comparison to other applications;

(3) local public and private commitment to development of the proposed zone and the potential cooperation of surrounding communities;

(4) existing resources available to the proposed zone;

(5) how the designation of the zone would relate to other economic and community development projects and to regional initiatives or programs;

(6) how the regulatory burden will be eased for businesses operating in the proposed zone;

(7) proposals to establish and link job creation and job training; and

(8) the extent to which the development is directed at encouraging and that designation of the zone is likely to result in the creation of high-paying jobs.

Subd. 4. [DESIGNATION SCHEDULE.] (a) The schedule in paragraphs (b) to (f) applies to the designation of job opportunity building zones.

(b) The commissioner shall publish the form for applications and any procedural, form, or content requirements for applications by no later than August 1, 2003. The commissioner may publish these requirements on the Internet, in the State Register, or by any other means the commissioner determines appropriate to disseminate the information to potential applicants for designation.

(c) Applications must be submitted by October 15, 2003.

(d) The commissioner shall designate the zones by no later than December 31, 2003.

(e) The designation of the zones takes effect January 1, 2004.



(f) The commissioner may reserve one or more of the ten authorized zones for a second round of designations in calendar year 2004. If the commissioner chooses to reserve designations for this purpose, the commissioner shall establish the schedule for the second round of designations, notwithstanding the dates in paragraphs (c), (d), and (e). The commissioner shall allow a period of at least 90 days for submission of applications after notification of the second round. A zone designated in the second round takes effect on January 1, 2005.

Subd. 5. [GEOGRAPHIC DISTRIBUTION.] The commissioner shall have as a goal the geographic distribution of zones around the state.

Subd. 6. [RULEMAKING EXEMPTION.] The commissioner's actions in establishing procedures, requirements, and making determinations to administer sections 469.310 to 469.320 are not a rule for purposes of chapter 14 and are not subject to the Administrative Procedure Act contained in chapter 14 and are not subject to section 14.386.

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

Sec. 20. [469.315] [TAX INCENTIVES AVAILABLE IN ZONES.]

Qualified businesses that operate in a job opportunity building zone, individuals who invest in a qualified business that operates in a job opportunity building zone, and property located in a job opportunity building zone qualify for:

(1) exemption from individual income taxes as provided under section 469.316;

(2) exemption from corporate franchise taxes as provided under section 469.317;

(3) exemption from the state sales and use tax and any local sales and use taxes on qualifying purchases as provided in section 297A.68, subdivision 37;

(4) exemption from the state sales tax on motor vehicles and any local sales tax on motor vehicles as provided under section 297B.03;

(5) exemption from the property tax as provided in section 272.02, subdivision 56;

(6) exemption from the wind energy production tax under section 272.029, subdivision 7; and

(7) the jobs credit allowed under section 469.318.

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

Sec. 21. [469.316] [INDIVIDUAL INCOME TAX EXEMPTION.]

Subdivision 1. [APPLICATION.] An individual operating a trade or business in a job opportunity building zone, and an individual making a qualifying investment in a qualified business operating in a job opportunity building zone qualifies for the exemptions from taxes imposed under chapter 290, as provided in this section. The exemptions provided under this section apply only to the extent that the income otherwise would be taxable under chapter 290. Subtractions under this section from federal taxable income, alternative minimum taxable income, or any other base subject to tax are limited to the amount that otherwise would be included in the tax base absent the exemption under this section. This section applies only to taxable years beginning during the duration of the job opportunity building zone.

Subd. 2. [RENTS.] An individual is exempt from the taxes imposed under chapter 290 on net rents derived from real or tangible personal property located in a zone for a taxable year in which the zone was designated a job opportunity building zone. If tangible personal property was used both within and outside of the zone, the exemption amount for the net rental income must be multiplied by a fraction, the numerator of which is the number of days the property was used in the zone and the denominator of which is the total days.

Subd. 3. [BUSINESS INCOME.] An individual is exempt from the taxes imposed under chapter 290 on net income from the operation of a qualified business in a job opportunity building zone. If the trade or business is carried on within and without the zone and the individual is not a resident of Minnesota, the exemption must be apportioned based on the zone percentage for the taxable year. If the trade or business is carried on within and without the zone and the individual is a resident of Minnesota, the exemption must be apportioned based on the zone percentage for the taxable year, except the ratios under section 469.310, subdivision 7, clause (1), items (i) and (ii), must use the denominators of the property and payroll factors determined under section 290.191. No subtraction is allowed under this section in excess of 20 percent of the sum of the job opportunity building zone payroll and the adjusted basis of the property at the time that the property is first used in the job opportunity building zone by the business.

Subd. 4. [CAPITAL GAINS.] (a) An individual is exempt from the taxes imposed under chapter 290 on:

(1) net gain derived on a sale or exchange of real property located in the zone and used by a qualified business. If the property was held by the individual during a period when the zone was not designated, the gain must be prorated based on the percentage of time, measured in calendar days, that the real property was held by the individual during the period the zone designation was in effect to the total period of time the real property was held by the individual;

(2) net gain derived on a sale or exchange of tangible personal property used by a qualified business in the zone. If the property was held by the individual during a period when the zone was not designated, the gain must be prorated based on the percentage of time, measured in calendar days, that the property was held by the individual during the period the zone designation was in effect to the total period of time the property was held by the individual. If the tangible personal property was used outside of the zone during the period of the zone's designation, the exemption must be multiplied by a fraction, the numerator of which is the number of days the property was used in the zone during the time of the designation and the denominator of which is the total days the property was held during the time of the designation; and

(3) net gain derived on a sale of an ownership interest in a qualified business operating in the job opportunity building zone, meeting the requirements of paragraph (b). The exemption on the gain must be multiplied by the zone percentage of the business for the taxable year prior to the sale.

(b) A qualified business meets the requirements of paragraph (a), clause (3), if it is a corporation, an S corporation, or a partnership, and for the taxable year its job opportunity building zone percentage exceeds 25 percent. For purposes of paragraph (a), clause (3), the zone percentage must be calculated by modifying the ratios under section 469.310, subdivision 7, clause (1), items (i) and (ii), to use the denominators of the property and payroll factors determined under section 290.191. Upon the request of an individual holding an ownership interest in the entity, the entity must certify to the owner, in writing, the job opportunity building zone percentage needed to determine the exemption.

[EFFECTIVE DATE.] This section is effective for taxable years beginning after December 31, 2003.

Sec. 22. [469.317] [CORPORATE FRANCHISE TAX EXEMPTION.]

(a) A qualified business is exempt from taxation under section 290.02, the alternative minimum tax under section 290.0921, and the minimum fee under section 290.0922, on the portion of its income attributable to operations within the zone. This exemption is determined as follows:

(1) for purposes of the tax imposed under section 290.02, by multiplying its taxable net income by its zone percentage and subtracting the result in determining taxable income;

(2) for purposes of the alternative minimum tax under section 290.0921, by multiplying its alternative minimum taxable income by its zone percentage and reducing alternative minimum taxable income by this amount; and

(3) for purposes of the minimum fee under section 290.0922, by excluding property and payroll in the zone from the computations of the fee or by exempting the entity under section 290.0922, subdivision 2, clause (7).

(b) No subtraction is allowed under this section in excess of 20 percent of the sum of the corporation's job opportunity building zone payroll and the adjusted basis of the property at the time that the property is first used in the job opportunity building zone by the corporation.

(c) This section applies only to taxable years beginning during the duration of the job opportunity building zone.

**[EFFECTIVE DATE.]** This section is effective for taxable years beginning after December 31, 2003.

Sec. 23. [469.318] [JOBS CREDIT.]

Subdivision 1. [CREDIT ALLOWED.] A qualified business is allowed a credit against the taxes imposed under chapter 290. The credit equals seven percent of the:

(1) lesser of:

(i) zone payroll for the taxable year, less the zone payroll for the base year; or

(ii) total Minnesota payroll for the taxable year, less total Minnesota payroll for the base year; minus

(2) \$30,000 multiplied by (the number of full-time equivalent employees that the qualified business employs in the job opportunity building zone for the taxable year, minus the number of full-time equivalent employees the business employed in the zone in the base year, but not less than zero).

Subd. 2. [DEFINITIONS.] (a) For purposes of this section, the following terms have the meanings given.

(b) "Base year" means the taxable year beginning during the calendar year prior to the calendar year in which the zone designation took effect.

(c) "Full-time equivalent employees" means the equivalent of annualized expected hours of work equal to 2,080 hours.

(d) "Minnesota payroll" means the wages or salaries attributed to Minnesota under section 290.191, subdivision 12, for the qualified business or the unitary business of which the qualified business is a part, whichever is greater.

(e) "Zone payroll" means wages or salaries used to determine the zone payroll factor for the qualified business, less the amount of compensation attributable to any employee that exceeds \$100,000.

Subd. 3. [INFLATION ADJUSTMENT.] For taxable years beginning after December 31, 2004, the dollar amounts in subdivision 1, clause (2), and subdivision 2, paragraph (e), are annually adjusted for inflation. The commissioner of revenue shall adjust the amounts by the percentage determined under section 290.06, subdivision 2d, for the taxable year.

Subd. 4. [REFUNDABLE.] If the amount of the credit exceeds the liability for tax under chapter 290, the commissioner of revenue shall refund the excess to the qualified business.

Subd. 5. [APPROPRIATION.] An amount sufficient to pay the refunds authorized by this section is appropriated to the commissioner of revenue from the general fund.

**[EFFECTIVE DATE.]** This section is effective for taxable years beginning after December 31, 2003.

Sec. 24. [469.319] [REPAYMENT OF TAX BENEFITS.]

Subdivision 1. [REPAYMENT OBLIGATION.] A business must repay the amount of the total tax reduction listed in section 469.315 and any refund under section 469.318 in excess of tax liability, received during the two years immediately before it ceased to operate in the zone, if the business:

(1) received tax reductions authorized by section 469.315; and

(2)(i) did not meet the goals specified in an agreement entered into with the applicant that states any obligation the qualified business must fulfill in order to be eligible for tax benefits. The commissioner may extend for up to one year the period for meeting any goals provided in an agreement. The applicant may extend the period for meeting other goals by documenting in writing the reason for the extension and attaching a copy of the document to its next annual report to the commissioner; or

(ii) ceased to operate its facility located within the job opportunity building zone or otherwise ceases to be or is not a qualified business.

Subd. 2. [DEFINITIONS.] (a) For purposes of this section, the following terms have the meanings given.

(b) "Business" means any person who received tax benefits enumerated in section 469.315.

(c) "Commissioner" means the commissioner of revenue.

Subd. 3. [DISPOSITION OR REPAYMENT.] The repayment must be paid to the state to the extent it represents a state tax reduction and to the county to the extent it represents a property tax reduction. Any amount repaid to the state must be deposited in the general fund. Any amount repaid to the county for the property tax exemption must be distributed to the local governments with authority to levy taxes in the zone in the same manner provided for distribution of payment of delinquent property taxes. Any repayment of local sales taxes must be repaid to the city or county imposing the local sales tax.

Subd. 4. [REPAYMENT PROCEDURES.] (a) For the repayment of taxes imposed under chapter 290 or 297A or local taxes collected pursuant to section 297A.99, a business must file an amended return with the commissioner of revenue and pay any taxes required to be repaid within 30 days after ceasing to do business in the zone. The amount required to be repaid is determined by calculating the tax for the period or periods for which repayment is required without regard to the exemptions and credits allowed under section 469.315.

(b) For the repayment of taxes imposed under chapter 297B, a business must pay any taxes required to be repaid to the motor vehicle registrar, as agent for the commissioner of revenue, within 30 days after ceasing to do business in the zone.

(c) For the repayment of property taxes, the county auditor shall prepare a tax statement for the business, applying the applicable tax extension rates for each payable year and provide a copy to the business. The business must pay the taxes to the county treasurer within 30 days after receipt of the tax statement. The taxpayer may appeal the valuation and determination of the property tax to the tax court within 30 days after receipt of the tax statement.

(d) The provisions of chapters 270 and 289A relating to the commissioner's authority to audit, assess, and collect the tax and to hear appeals are applicable to the repayment required under paragraphs (a) and (b). The commissioner may impose civil penalties as provided in chapter 289A, and the additional tax and penalties are subject to interest at the rate provided in section 270.75, from 30 days after ceasing to do business in the job opportunity building zone until the date the tax is paid.

(e) If a property tax is not repaid under paragraph (c), the county treasurer shall add the amount required to be repaid to the property taxes assessed against the property for payment in the year following the year in which the treasurer discovers that the business ceased to operate in the job opportunity building zone.

(f) For determining the tax required to be repaid, a tax reduction is deemed to have been received on the date that the tax would have been due if the taxpayer had not been entitled to the exemption or on the date a refund was issued for a refundable tax credit.

(g) The commissioner may assess the repayment of taxes under paragraph (d) any time within two years after the business ceases to operate in the job opportunity building zone, or within any period of limitations for the assessment of tax under section 289A.38, whichever period is later.

Subd. 5. [WAIVER AUTHORITY.] The commissioner may waive all or part of a repayment, if the commissioner, in consultation with the commissioner of trade and economic development and appropriate officials from the local government units in which the qualified business is located, determines that requiring repayment of the tax is not in the best interest of the state or the local government units and the business ceased operating as a result of circumstances beyond its control including, but not limited to:

- (1) a natural disaster;
- (2) unforeseen industry trends; or
- (3) loss of a major supplier or customer.

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

Sec. 25. [469.320] [ZONE PERFORMANCE; REMEDIES.]

Subdivision 1. [REPORTING REQUIREMENT.] An applicant receiving designation of a job opportunity building zone under section 469.314 must annually report to the commissioner on its progress in meeting the zone performance goals under the development plan for the zone and the applicant's compliance with the business subsidy law under sections 116J.993 to 116J.995.

Subd. 2. [PROCEDURES.] For reports required by subdivision 1, the commissioner may prescribe:

- (1) the required time or times by which the reports must be filed;

(2) the form of the report; and

(3) the information required to be included in the report.

Subd. 3. [REMEDIES.] If the commissioner determines, based on a report filed under subdivision 1 or other available information, that a zone or subzone is failing to meet its performance goals, the commissioner may take any actions the commissioner determines appropriate, including modification of the boundaries of the zone or a subzone or termination of the zone or a subzone. Before taking any action, the commissioner shall consult with the applicant and the affected local government units, including notifying them of the proposed actions to be taken. The commissioner shall publish any order modifying a zone in the State Register and on the Internet. The applicant may appeal the commissioner's order under the contested case procedures of chapter 14.

Subd. 4. [EXISTING BUSINESSES.] (a) An action to remove area from a zone or to terminate a zone under this section does not apply to:

(1) the property tax on improvements constructed before the first January 2 following publication of the commissioner's order;

(2) sales tax on purchases made before the first day of the next calendar month beginning at least 30 days after publication of the commissioner's order; and

(3) individual income tax or corporate franchise tax attributable to a facility that was in operation before the publication of the commissioner's order.

(b) The tax exemptions specified in paragraph (a) terminate on the date on which the zone expires under the original designation.

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

Sec. 26. [477A.08] [JOB OPPORTUNITY BUILDING ZONE AID.]

Subdivision 1. [ELIGIBILITY.] (a) For each assessment year that the exemption for job opportunity building zone property is in effect under section 272.02, subdivision 56, the assessor shall determine the difference between the actual net tax capacity and the net tax capacity that would be determined for the job opportunity building zone, including any property removed from the zone that continues to qualify under section 469.320, subdivision 4, if the exemption were not in effect.

(b) Each city and county is eligible for aid equal to one-half of:

(1) the amount by which the sum of the differences determined in paragraph (a) for the corresponding assessment year exceeds three percent of the city's or county's total taxable net tax capacity for taxes payable in 2003, multiplied by

(2) the city's or the county's, as applicable, average local tax rate for taxes payable in 2003.

Subd. 2. [CERTIFICATION.] The county assessor shall notify the commissioner of revenue of the amount determined under subdivision 1, paragraph (b), clause (1), for any city or county that qualifies for aid under this section by June 30 of the assessment year, in a form prescribed by the commissioner. The commissioner shall notify each city and county of its qualifying aid amount by August 15 of the assessment year.

Subd. 3. [APPROPRIATION; PAYMENT.] The commissioner shall pay each city and county its qualifying aid amount by July 20 of the following year. An amount sufficient to pay the aid under this section is appropriated to the commissioner of revenue from the general fund.

[EFFECTIVE DATE.] This section is effective beginning for aid based on property taxes assessed in 2004, payable in 2005.

Sec. 27. [APPROPRIATION; COST OF ADMINISTRATION.]

\$100,000 in fiscal year 2004 and \$30,000 in fiscal year 2005 are appropriated to the commissioner of trade and economic development for the cost of designating job opportunity building zones.

\$53,000 in fiscal year 2004 and \$29,000 in fiscal year 2005 are appropriated to the commissioner of revenue for the cost of administering the tax provisions of this act.

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

## ARTICLE 2

### BIOTECHNOLOGY AND HEALTH SCIENCE ZONES

Section 1. [LEGISLATIVE FINDINGS.]

The legislature finds, as a matter of public policy, that biotechnology and the health sciences hold immense promise in improving the quality of our lives, including curing diseases, making our foods safer and more abundant, reducing our dependence on fossil fuels and foreign oil, making better use of Minnesota agriculture products, and growing tens of thousands of new, high-paying jobs.

The legislature further finds that there are hundreds of discoveries made each year at the University of Minnesota, the Mayo Clinic, and other research institutions that, if properly commercialized, could help provide these benefits.

The legislature further finds that biotechnology and health sciences companies benefit from location in proximity to these research institutions and the many faculty, students, and other intellectual and physical infrastructure these institutions provide.

The legislature further finds that Minnesota's high-quality workforce is attractive to biotechnology and health sciences companies that would want to relocate, start up, or expand in Minnesota.

The legislature further finds and declares that it is appropriate and necessary, to improve our quality of life and as a matter of economic development, that Minnesota take rapid and affirmative steps to encourage the development of biotechnology and the health sciences and the commercialization of important discoveries, especially through expansion of business opportunities in proximity to the research institutions where those discoveries occur. This must include attention to the ethical, legal, and societal impacts of the industry, including risk assessment and environmental protection.

Sec. 2. Minnesota Statutes 2002, section 272.02, is amended by adding a subdivision to read:

Subd. 56. [BIOTECHNOLOGY AND HEALTH SCIENCES INDUSTRY ZONE PROPERTY.] (a) Improvements to real property, and personal property, classified under section 273.13, subdivision 24, and located within a biotechnology and health sciences industry zone are exempt from ad valorem taxes levied under chapter 275, as provided in this subdivision.

(b) For property to qualify for exemption under paragraph (a), the occupant must be a qualified business, as defined in section 469.330.

(c) The exemption applies beginning for the first assessment year after designation of the biotechnology and health sciences industry zone by the commissioner of trade and economic development. The exemption applies to each assessment year that begins during the duration of the biotechnology and health sciences industry zone. This exemption does not apply to:

(1) a levy under section 475.61 or similar levy provisions under any other law to pay general obligation bonds; or

(2) a levy under section 126C.17, if the levy was approved by the voters before the designation of the biotechnology and health sciences industry zone.

(d) The exemption does not apply to taxes imposed by a city, town, or county, unless the governing body adopts a resolution granting the exemption. A city, town, or county may provide a complete property tax exemption, partial property tax exemption, or no property tax exemption to qualified businesses in the biotechnology and health sciences industry zone. "City" includes a statutory or home rule charter city.

(e) For property located in a tax increment financing district, the county shall not adjust the original net tax capacity of the district under section 469.177, subdivision 1, paragraph (a), upon the expiration of an exemption under this subdivision.

**[EFFECTIVE DATE.]** This section is effective beginning for property taxes assessed in 2004, payable in 2005.

Sec. 3. Minnesota Statutes 2002, section 290.01, subdivision 29, is amended to read:

Subd. 29. [TAXABLE INCOME.] The term "taxable income" means:

(1) for individuals, estates, and trusts, the same as taxable net income;

(2) for corporations, the taxable net income less

(i) the net operating loss deduction under section 290.095; ~~and~~

(ii) the dividends received deduction under section 290.21, subdivision 4; and

(iii) the exemption for operating in a biotechnology and health sciences industry zone under section 469.337.

**[EFFECTIVE DATE.]** This section is effective for taxable years beginning after December 31, 2003.



Sec. 4. Minnesota Statutes 2002, section 290.06, is amended by adding a subdivision to read:

Subd. 29. [BIOTECHNOLOGY AND HEALTH SCIENCE INDUSTRY ZONE JOB CREDIT.] A taxpayer that is a qualified business, as defined in section 469.330, subdivision 11, is allowed a credit as determined under section 469.338 against the franchise tax imposed under section 290.06, subdivision 1, or the alternative minimum tax imposed under section 290.0921.

**[EFFECTIVE DATE.]** This section is effective for taxable years beginning after December 31, 2003.

Sec. 5. Minnesota Statutes 2002, section 290.06, is amended by adding a subdivision to read:

Subd. 30. [BIOTECHNOLOGY AND HEALTH SCIENCE INDUSTRY ZONE RESEARCH AND DEVELOPMENT CREDIT.] A taxpayer that is a qualified business, as defined in section 469.330, subdivision 11, is allowed a credit as determined under section 469.339 against the franchise tax imposed under section 290.06, subdivision 1, or the alternative minimum tax imposed under section 290.0921.

**[EFFECTIVE DATE.]** This section is effective for taxable years beginning after December 31, 2003.

Sec. 6. Minnesota Statutes 2002, 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) The special rule for certain dividends under section 56(g)(4)(C)(ii) of the Internal Revenue Code does not apply.

(6) The special rule for dividends from section 936 companies under section 56(g)(4)(C)(iii) does not apply.

(7) The tax preference for depletion under section 57(a)(1) of the Internal Revenue Code does not apply.

(8) The tax preference for intangible drilling costs under section 57(a)(2) of the Internal Revenue Code must be calculated without regard to subparagraph (E) and the subtraction under section 290.01, subdivision 19d, clause (4).

(9) The tax preference for tax exempt interest under section 57(a)(5) of the Internal Revenue Code does not apply.

(10) The tax preference for charitable contributions of appreciated property under section 57(a)(6) of the Internal Revenue Code does not apply.

(11) For purposes of calculating the tax preference for accelerated depreciation or amortization on certain property placed in service before January 1, 1987, under section 57(a)(7) of the Internal Revenue Code, the deduction allowable for the taxable year is the deduction allowed under section 290.01, subdivision 19e.

For taxable years beginning after December 31, 2000, the amount of any remaining modification made under section 290.01, subdivision 19e, not previously deducted is a depreciation or amortization allowance in the first taxable year after December 31, 2004.

(12) For purposes of calculating the adjustment for adjusted current earnings in section 56(g) of the Internal Revenue Code, the term "alternative minimum taxable income" as it is used in section 56(g) of the Internal Revenue Code, means alternative minimum taxable income as defined in this subdivision, determined without regard to the adjustment for adjusted current earnings in section 56(g) of the Internal Revenue Code.

(13) For purposes of determining the amount of adjusted current earnings under section 56(g)(3) of the Internal Revenue Code, no adjustment shall be made under section 56(g)(4) of the Internal Revenue Code with respect to (i) the amount of foreign dividend gross-up subtracted as provided in section 290.01, subdivision 19d, clause (1), (ii) the amount of refunds of income, excise, or franchise taxes subtracted as provided in section 290.01, subdivision 19d, clause (10), or (iii) the amount of royalties, fees or other like income subtracted as provided in section 290.01, subdivision 19d, clause (11).

(14) Alternative minimum taxable income excludes the income from operating in a biotechnology and health sciences industry zone as provided under section 469.337.

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 taxable years beginning after December 31, 2003.

Sec. 7. Minnesota Statutes 2002, section 290.0922, subdivision 3, is amended to read:

Subd. 3. [DEFINITIONS.] (a) "Minnesota sales or receipts" means the total sales apportioned to Minnesota pursuant to section 290.191, subdivision 5, the total receipts attributed to Minnesota pursuant to section 290.191, subdivisions 6 to 8, and/or the total sales or receipts apportioned or attributed to Minnesota pursuant to any other apportionment formula applicable to the taxpayer.

(b) "Minnesota property" means total Minnesota tangible property as provided in section 290.191, subdivisions 9 to 11, ~~and~~ any other tangible property located in Minnesota, but does not include property of a qualified business located in a biotechnology and health sciences zone designated under section 469.334. Intangible property shall not be included in Minnesota property for purposes of this section. Taxpayers who do not utilize tangible property to apportion income shall nevertheless include Minnesota property for purposes of this section. On a return for a short taxable year, the amount of Minnesota property owned, as determined under section 290.191, shall be included in Minnesota property based on a fraction in which the numerator is the number of days in the short taxable year and the denominator is 365.

(c) "Minnesota payrolls" means total Minnesota payrolls as provided in section 290.191, subdivision 12, but does not include biotechnology and health sciences zone payroll under section 469.330, subdivision 8. Taxpayers who do not utilize payrolls to apportion income shall nevertheless include Minnesota payrolls for purposes of this section.

**[EFFECTIVE DATE.]** This section is effective for taxable years beginning after December 31, 2003.

Sec. 8. Minnesota Statutes 2002, section 297A.68, is amended by adding a subdivision to read:

Subd. 37. [BIOTECHNOLOGY AND HEALTH SCIENCES INDUSTRY ZONE.] (a) Purchases of tangible personal property or taxable services by a qualified business, as defined in section 469.330, are exempt if the property or services are primarily used or consumed in a biotechnology and health sciences industry zone designated under section 469.334.

(b) Purchase and use of construction materials and supplies for construction of improvements to real property in a biotechnology and health sciences industry zone are exempt if the improvements after completion of construction are to be used in the conduct of a qualified business, as defined in section 469.330. This exemption applies regardless of whether the purchases are made by the business or a contractor.

(c) The exemptions under this subdivision apply to a local sales and use tax regardless of whether the local sales tax is imposed on the sales taxable as defined under this chapter.

(d)(1) The tax on sales of goods or services exempted under this subdivision are 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 must 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.

(2) The amount required to make the refunds is annually appropriated to the commissioner of revenue.

(3) The aggregate amount refunded to a qualified business must not exceed the amount allocated to the qualified business under section 469.335.

(e) This subdivision applies only to sales made during the duration of the designation of the zone.

**[EFFECTIVE DATE.]** This section is effective for sales made on or after the day following final enactment.

Sec. 9. [469.330] [DEFINITIONS.]

Subdivision 1. [SCOPE.] For purposes of sections 469.330 to 469.341, the following terms have the meanings given.

Subd. 2. [APPLICANT.] "Applicant" means a local government unit or units applying for designation of an area as a biotechnology and health sciences industry zone or a joint powers board, established under section 471.59, acting on behalf of two or more local government units.

Subd. 3. [BIOTECHNOLOGY AND HEALTH SCIENCES INDUSTRY FACILITY.] "Biotechnology and health sciences industry facility" means one or more facilities or operations involved in:

(1) researching, developing, and/or manufacturing a biotechnology product or service or a biotechnology-related health sciences product or service;

(2) researching, developing, and/or manufacturing a biotechnology medical device product or service or a biotechnology-related medical device product or service; or

(3) promoting, supplying, or servicing a facility or operation involved in clause (1) or (2), if the business derives more than 50 percent of its gross receipts from those activities.

Subd. 4. [COMMISSIONER.] "Commissioner" means the commissioner of trade and economic development.

Subd. 5. [DEVELOPMENT PLAN.] "Development plan" means a plan meeting the requirements of section 469.331.

Subd. 6. [BIOTECHNOLOGY AND HEALTH SCIENCES INDUSTRY ZONE OR ZONE.] "Biotechnology and health sciences industry zone" or "zone" means a zone designated by the commissioner under section 469.334.

Subd. 7. [BIOTECHNOLOGY AND HEALTH SCIENCES INDUSTRY ZONE PERCENTAGE OR ZONE PERCENTAGE.] "Biotechnology and health sciences industry zone percentage" or "zone percentage" means the following fraction reduced to a percentage:

(1) the numerator of the fraction is:

(i) the ratio of the taxpayer's property factor under section 290.191 located in the zone for the taxable year over the property factor numerator determined under section 290.191, plus

(ii) the ratio of the taxpayer's biotechnology and health sciences industry zone payroll factor under subdivision 8 over the payroll factor numerator determined under section 290.191; and

(2) the denominator of the fraction is two.

When calculating the zone percentage for a business that is part of a unitary business as defined under section 290.17, subdivision 4, the denominator of the payroll and property factors is the Minnesota payroll and property of the unitary business as reported on the combined report under section 290.17, subdivision 4, paragraph (j).

Subd. 8. [BIOTECHNOLOGY AND HEALTH SCIENCES INDUSTRY ZONE PAYROLL FACTOR.] "Biotechnology and health sciences industry zone payroll factor" or "biotechnology and health sciences industry zone payroll" is that portion of the payroll factor under section 290.191 that represents:

(1) wages or salaries paid to an individual for services performed for a qualified business in a biotechnology and health sciences industry zone; or

(2) wages or salaries paid to individuals working from offices of a qualified business within a biotechnology and health sciences industry zone if their employment requires them to work outside the zone and the work is incidental to the work performed by the individual within the zone.

Subd. 9. [LOCAL GOVERNMENT UNIT.] "Local government unit" means a statutory or home rule charter city, county, town, or school district.

Subd. 10. [PERSON.] "Person" includes an individual, corporation, partnership, limited liability company, association, or any other entity.

Subd. 11. [QUALIFIED BUSINESS.] (a) "Qualified business" means a person carrying on a trade or business at a biotechnology and health sciences industry facility located within a biotechnology and health sciences industry zone.

(b) A person that relocates a biotechnology and health sciences industry facility from outside a biotechnology and health sciences industry zone into a zone is not a qualified business, unless the business:

(1)(i) increases full-time employment in the first full year of operation within the biotechnology and health sciences industry zone by at least 20 percent measured relative to the operations that were relocated and maintains the required level of employment for each year the zone designation applies; or

(ii) makes a capital investment in the property located within a zone equivalent to ten percent of the gross revenues of operation that were relocated in the immediately preceding taxable year; and

(2) enters a binding written agreement with the commissioner that:

(i) pledges the business will meet the requirements of clause (1);

(ii) provides for repayment of all tax benefits enumerated under section 469.336 to the business under the procedures in section 469.340, if the requirements of clause (1) are not met; and

(iii) contains any other terms the commissioner determines appropriate.

Subd. 12. [RELOCATES.] (a) "Relocates" means that the trade or business:

(1) ceases one or more operations or functions at another location in Minnesota and begins performing substantially the same operations or functions at a location in a biotechnology and health sciences industry zone; or

(2) reduces employment at another location in Minnesota during a period starting one year before and ending one year after it begins operations in a biotechnology and health sciences industry zone and its employees in the biotechnology and health sciences industry zone are engaged in the same line of business as the employees at the location where it reduced employment.

(b) "Relocate" does not include an expansion by a business that establishes a new facility that does not replace or supplant an existing operation or employment, in whole or in part.

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

Sec. 10. [469.331] [DEVELOPMENT PLAN.]

(a) An applicant for designation of a biotechnology and health sciences industry zone must adopt a written development plan for the zone before submitting the application to the commissioner.

(b) The development plan must contain, at least, the following:

(1) a map of the proposed zone that indicates the geographic boundaries of the zone, the total area, and present use and conditions generally of the land and structures within those boundaries;

(2) evidence of community support and commitment from local government, local workforce investment boards, school districts, and other education institutions, business groups, and the public;

(3) a description of the methods proposed to increase economic opportunity and expansion, facilitate infrastructure improvement, reduce the local regulatory burden, and identify job-training opportunities;

(4) current social, economic, and demographic characteristics of the proposed zone and anticipated improvements in education, health, human services, and employment if the zone is created;

(5) a description of anticipated activity in the zone and each subzone, including, but not limited to, industrial use and industrial site reuse;

(6) a description of the tax exemptions under section 469.336 to be provided to each qualifying business based on a development agreement between the applicant and each qualified business. The development agreement must also state any obligations the qualified business must fulfill in order to be eligible for tax benefits; and

(7) any other information required by the commissioner.

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

Sec. 11. [469.332] [BIOTECHNOLOGY AND HEALTH SCIENCES INDUSTRY ZONE; LIMITATIONS.]

Subdivision 1. [MAXIMUM SIZE.] A biotechnology and health sciences industry zone may not exceed 5,000 acres.

Subd. 2. [SUBZONES.] The area of a biotechnology and health sciences industry zone may consist of one or more noncontiguous areas or subzones.

Subd. 3. [DURATION LIMIT.] The maximum duration of a zone is 12 years. The applicant may request a shorter duration. The commissioner may specify a shorter duration, regardless of the requested duration.

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

Sec. 12. [469.333] [APPLICATION FOR DESIGNATION.]

Subdivision 1. [WHO MAY APPLY.] One or more local government units, or a joint powers board under section 471.59, acting on behalf of two or more units, may apply for designation of an area as a biotechnology and health sciences industry zone. All or part of the area proposed for designation as a zone must be located within the boundaries of each of the governmental units. A local government unit may not submit or have submitted on its behalf more than one application for designation of a biotechnology and health sciences industry zone.

Subd. 2. [APPLICATION CONTENT.] The application must include:

(1) a development plan meeting the requirements of section 469.331;

(2) the proposed duration of the zone, not to exceed 12 years;

(3)(i) a resolution or ordinance adopted by each of the cities or towns and the counties in which the zone is located, agreeing to provide all of the local sales and use tax exemptions provided under section 469.336; or (ii) a resolution or ordinance adopted by each of the cities or towns and the counties in which the zone is located that declares whether it will provide property tax exemptions under section 469.336;

(4) an agreement by the applicant to treat incentives provided under the zone designation as business subsidies under sections 116J.993 to 116J.995 and to comply with the requirements of that law; and

(5) supporting evidence to allow the commissioner to evaluate the application under the criteria in section 469.334.

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

Sec. 13. [469.334] [DESIGNATION OF BIOTECHNOLOGY AND HEALTH SCIENCES INDUSTRY ZONE.]

Subdivision 1. [COMMISSIONER TO DESIGNATE.] (a) The commissioner, in consultation with the commissioner of revenue and the director of the office of strategic and long-range planning, shall designate not more than one biotechnology and health sciences industry zone. Priority must be given to applicants with a development plan that links a higher education/research institution with a biotechnology and health sciences industry facility.

(b) The commissioner may consult with the applicant prior to the designation of the zone. The commissioner may modify the development plan, including the boundaries of the zone or subzones, if in the commissioner's opinion a modified plan would better meet the objectives of the biotechnology and health sciences industry zone program. The commissioner shall notify the applicant of the modifications and provide a statement of the reasons for the modifications.

Subd. 2. [NEED INDICATORS.] (a) In evaluating applications to determine the need for designation of a biotechnology and health sciences industry zone, the commissioner shall consider the following factors as indicators of need:

(1) the extent to which land in proximity to a significant scientific research institution could be developed as a higher and better use for biotechnology and health sciences industry facilities;

(2) the amount of property in or near the zone that is deteriorated or underutilized; and

(3) the extent to which property in the area would remain underdeveloped or nonperforming due to physical characteristics.

(b) The commissioner may require applicants to provide data to demonstrate how the area meets one or more of the indicators of need.

Subd. 3. [SUCCESS INDICATORS.] In determining the likelihood of success of a proposed zone, the commissioner shall consider:

(1) applicants that show a viable link between a higher education/research institution, the biotechnology and/or medical devices business sectors, and one or more units of local government with a development plan;

(2) the extent to which the area has substantial real property with adequate infrastructure and energy to support new or expanded development;

(3) the strength and viability of the proposed development goals, objectives, and strategies in the development plan;

(4) whether the development plan is creative and innovative in comparison to other applications;

(5) local public and private commitment to development of a biotechnology and health sciences industry facility or facilities in the proposed zone and the potential cooperation of surrounding communities;

(6) existing resources available to the proposed zone;

(7) how the designation of the zone would relate to other economic and community development projects and to regional initiatives or programs;

(8) how the regulatory burden will be eased for biotechnology and health sciences industry facilities located in the proposed zone;

(9) proposals to establish and link job creation and job training in the biotechnology and health sciences industry with research/educational institutions; and

(10) the extent to which the development is directed at encouraging, and that designation of the zone is likely to result in, the creation of high-paying jobs.

Subd. 4. [DESIGNATION SCHEDULE.] (a) The schedule in paragraphs (b) to (e) applies to the designation of the biotechnology and health sciences industry zone.

(b) The commissioner shall publish the form for applications and any procedural, form, or content requirements for applications by no later than August 1, 2003. The commissioner may publish these requirements on the Internet, in the State Register, or by any other means the commissioner determines appropriate to disseminate the information to potential applicants for designation.

(c) Applications must be submitted by October 15, 2003.

(d) The commissioner shall designate the zones by no later than December 31, 2003.

(e) The designation of the zones takes effect January 1, 2004.

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

Sec. 14. [469.335] [APPLICATION FOR TAX BENEFITS.]

(a) To claim a tax credit or exemption against a state tax under section 469.336, clauses (2) through (5), a business must apply to the commissioner for a tax credit certificate. As a condition of its application, the business must agree to furnish information to the commissioner that is sufficient to verify the eligibility for any credits or exemptions claimed. The total amount of the state tax credits and exemptions allowed for the specified period may not exceed the amount of the tax credit certificates provided by the commissioner to the business. The commissioner must verify to the commissioner of revenue the amount of tax exemptions or credits for which each business is eligible.

(b) A tax credit certificate issued under this section may specify the particular tax exemptions or credits against a state tax that the qualified business is eligible to claim under section 469.336, clauses (2) through (5), and the amount of each exemption or credit allowed.



(c) The commissioner may issue \$1,000,000 of tax credits or exemptions in fiscal year 2004. Any tax credits or exemptions not awarded in fiscal year 2004 may be awarded in fiscal year 2005.

(d) A qualified business must use the tax credits or tax exemptions granted under this section by the later of the end of the state fiscal year or the taxpayer's tax year in which the credits or exemptions are granted.

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

Sec. 15. [469.336] [TAX INCENTIVES AVAILABLE IN ZONES.]

Qualified businesses that operate in a biotechnology and health sciences industry zone, individuals who invest in a qualified business that operates in a biotechnology and health sciences industry zone, and property of a qualified business located in a biotechnology and health sciences industry zone qualify for:

(1) exemption from the property tax as provided in section 272.02, subdivision 56;

(2) exemption from corporate franchise taxes as provided under section 469.337;

(3) exemption from the state sales and use tax and any local sales and use taxes on qualifying purchases as provided in section 297A.68, subdivision 37;

(4) research and development credits as provided under section 469.339;

(5) jobs credits as provided under section 469.338.

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

Sec. 16. [469.337] [CORPORATE FRANCHISE TAX EXEMPTION.]

(a) A qualified business is exempt from taxation under section 290.02, the alternative minimum tax under section 290.0921, and the minimum fee under section 290.0922, on the portion of its income attributable to operations of a qualified business within the biotechnology and health sciences industry zone. This exemption is determined as follows:

(1) for purposes of the tax imposed under section 290.02, by multiplying its taxable net income by its zone percentage and subtracting the result in determining taxable income;

(2) for purposes of the alternative minimum tax under section 290.0921, by multiplying its alternative minimum taxable income by its zone percentage and reducing alternative minimum taxable income by this amount; and

(3) for purposes of the minimum fee under section 290.0922, by excluding property and payroll in the zone from the computations of the fee.

(b) No subtraction is allowed under this section in excess of 20 percent of the sum of the corporation's biotechnology and health sciences industry zone payroll and the adjusted basis of the property at the time that the property is first used in the biotechnology and health sciences industry zone by the corporation.

(c) No reduction in tax is allowed in excess of the amount allocated under section 469.335.

**[EFFECTIVE DATE.]** This section is effective for taxable years beginning after December 31, 2003.

Sec. 17. [469.338] [JOBS CREDIT.]

Subdivision 1. [CREDIT ALLOWED.] A qualified business is allowed a credit against the taxes imposed under chapter 290.

The credit equals seven percent of the:

(1) lesser of:

(i) zone payroll for the taxable year, less the zone payroll for the base year; or

(ii) total Minnesota payroll for the taxable year, less total Minnesota payroll for the base year; minus

(2) \$30,000 multiplied by the number of full-time equivalent employee positions that the qualified business employs in the biotechnology and health sciences industry zone for the taxable year, minus the number of full-time equivalent employees the business employed in the zone in the base year, but not less than zero.

Subd. 2. [DEFINITIONS.] (a) For purposes of this section, the following terms have the meaning given.

(b) "Base year" means the taxable year beginning during the calendar year in which the commissioner designated the zone.

(c) "Full-time equivalent employee position" means the equivalent of annualized expected hours of work equal to 2,080 hours.

(d) "Minnesota payroll" means the wages or salaries attributed to Minnesota under section 290.191, subdivision 12, for the qualified business or the unitary business of which the qualified business is a part, whichever is greater.

(e) "Zone payroll" means wages or salaries used to determine the zone payroll factor for the qualified business.

Subd. 3. [INFLATION ADJUSTMENT.] For taxable years beginning after December 31, 2004, the dollar amount in subdivision 1, clause (2), is annually adjusted for inflation. The commissioner of revenue shall adjust the amount by the percentage determined under section 290.06, subdivision 2d, for the taxable year.

Subd. 4. [REFUNDABLE.] If the amount of the credit calculated under this section and allocated to the qualified business under section 14 exceeds the liability for tax under chapter 290, the commissioner of revenue shall refund the excess to the qualified business.

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

Sec. 18. [469.339] [CREDIT FOR INCREASING RESEARCH ACTIVITIES IN A BIOTECHNOLOGY AND HEALTH SCIENCES ZONE.]

Subdivision 1. [CREDIT ALLOWED.] A corporation, other than a corporation treated as an "S" corporation under section 290.9725, is allowed a credit against the portion of the franchise tax computed under section 290.06, subdivision 1, for the taxable year equal to:

(1) five percent of the first \$2,000,000 of the excess (if any) of (i) the qualified research expenses for the taxable year, over (ii) the base amount; and

(2) 2.5 percent of all such excess expenses over \$2,000,000.

Subd. 2. [DEFINITIONS.] (a) For purposes of this section, the following terms have the meanings given.

(b) "Qualified research expenses" means qualified research expenses and basic research payments as defined in section 41(b) and (e) of the Internal Revenue Code.

(c) "Qualified research" means activities in the fields of biotechnology or health sciences that are "qualified research" as defined in section 41(d) of the Internal Revenue Code, except that the term does not include qualified research conducted outside the biotechnology and health sciences industry zone.

(d) "Base amount" means base amount as defined in section 4(c) of the Internal Revenue Code, except that the average annual gross receipts must be calculated using Minnesota sales or receipts under section 290.191 and the definitions contained in paragraphs (b) and (c) apply.

(e) "Liability for tax" for purposes of this section means the tax imposed under this chapter for the taxable year reduced by the sum of the nonrefundable credits allowed under this chapter.

Subd. 3. [REFUNDABLE CREDIT.] If the credit determined under this section and allocated to the taxpayer under section 469.335 for the taxable year exceeds the taxpayer's liability for tax for the year, the commissioner shall refund the difference to the taxpayer.

Subd. 4. [PARTNERSHIPS.] For partnerships, the credit is allocated in the same manner provided by section 41(f)(2) of the Internal Revenue Code.

Subd. 5. [ADJUSTMENTS; ACQUISITIONS AND DISPOSITIONS.] If a taxpayer acquires or disposes of the major portion of a trade or business or the major portion of a separate unit of a trade or business in a transaction with another taxpayer, the taxpayer's qualified research expenses and base amount are adjusted in the same manner provided by section 41(f)(3) of the Internal Revenue Code.

Subd. 6. [INTERACTION; REGULAR RESEARCH CREDIT.] Any amount used to calculate a credit under this section may not be used to generate a credit under section 290.068.

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

Sec. 19. [469.340] [REPAYMENT OF TAX BENEFITS.]

Subdivision 1. [REPAYMENT OBLIGATION.] A business must repay the amount of the tax reduction listed in section 469.336 and any refunds under sections 469.338 and 469.339 in excess of tax liability, received during the two years immediately before it ceased to operate in the zone, if the business:

(1) received tax reductions authorized by section 469.336; and

(2)(i) did not meet the goals specified in an agreement entered into with the applicant that states any obligation the qualified business must fulfill in order to be eligible for tax benefits. The commissioner may extend for up to one year the period for meeting any goals provided in an agreement. The applicant may extend the period for meeting other goals by documenting in writing the reason for the extension and attaching a copy of the document to its next annual report to the commissioner; or

(ii) ceased to operate its facility located within the biotechnology and health sciences industry zone or otherwise ceases to be or is not a qualified business.

Subd. 2. [DEFINITIONS.] (a) For purposes of this section, the following terms have the meanings given.

(b) "Business" means any person who received tax benefits enumerated in section 469.336.

(c) "Commissioner" means the commissioner of revenue.

Subd. 3. [DISPOSITION OR REPAYMENT.] The repayment must be paid to the state to the extent it represents a state tax reduction and to the county to the extent it represents a property tax reduction. Any amount repaid to the state must be deposited in the general fund. Any amount repaid to the county for the property tax exemption must be distributed to the local governments with authority to levy taxes in the zone in the same manner provided for distribution of payment of delinquent property taxes. Any repayment of local sales taxes must be repaid to the city or county imposing the local sales tax.

Subd. 4. [REPAYMENT PROCEDURES.] (a) For the repayment of taxes imposed under chapter 290 or 297A or local taxes collected pursuant to section 297A.99, a business must file an amended return with the commissioner of revenue and pay any taxes required to be repaid within 30 days after ceasing to do business in the zone. The amount required to be repaid is determined by calculating the tax for the period or periods for which repayment is required without regard to the exemptions and credits allowed under section 469.336.

(b) For the repayment of property taxes, the county auditor shall prepare a tax statement for the business, applying the applicable tax extension rates for each payable year and provide a copy to the business. The business must pay the taxes to the county treasurer within 30 days after receipt of the tax statement. The taxpayer may appeal the valuation and determination of the property tax to the tax court within 30 days after receipt of the tax statement.

(c) The provisions of chapters 270 and 289A relating to the commissioner's authority to audit, assess, and collect the tax and to hear appeals are applicable to the repayment required under paragraph (a). The commissioner may impose civil penalties as provided in chapter 289A, and the additional tax and penalties are subject to interest at the rate provided in section 270.75, from 30 days after ceasing to do business in the biotechnology and health sciences industry zone until the date the tax is paid.

(d) If a property tax is not repaid under paragraph (b), the county treasurer shall add the amount required to be repaid to the property taxes assessed against the property for payment in the year following the year in which the treasurer discovers that the business ceased to operate in the biotechnology and health sciences industry zone.

(e) For determining the tax required to be repaid, a tax reduction is deemed to have been received on the date that the tax would have been due if the taxpayer had not been entitled to the exemption, or on the date a refund was issued for a refundable credit.

(f) The commissioner may assess the repayment of taxes under paragraph (c) any time within two years after the business ceases to operate in the biotechnology and health sciences industry zone, or within any period of limitations for the assessment of tax under section 289A.38, whichever period is later.

Subd. 5. [WAIVER AUTHORITY.] The commissioner may waive all or part of a repayment, if the commissioner, in consultation with the commissioner of trade and economic development and appropriate officials from the local government units in which the business is located, determines that requiring repayment of the tax is not in the best interest of the state or the local government units and the business ceased operating as a result of circumstances beyond its control including, but not limited to:

(1) a natural disaster;

(2) unforeseen industry trends; or

(3) loss of a major supplier or customer.

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

Sec. 20. [469.341] [ZONE PERFORMANCE; REMEDIES.]

Subdivision 1. [REPORTING REQUIREMENT.] An applicant receiving designation of a biotechnology and health sciences industry zone under section 469.334 must annually report to the commissioner on its progress in meeting the zone performance goals under the development plan for the zone and the applicant's compliance with the business subsidy law under sections 116J.993 to 116J.995.

Subd. 2. [PROCEDURES.] For reports required by subdivision 1, the commissioner may prescribe:

(1) the required time or times by which the reports must be filed;

(2) the form of the report; and

(3) the information required to be included in the report.

Subd. 3. [REMEDIES.] If the commissioner determines, based on a report filed under subdivision 1 or other available information, that a zone or subzone is failing to meet its performance goals, the commissioner may take any actions the commissioner determines appropriate, including modification of the boundaries of the zone or a subzone or termination of the zone or a subzone. Before taking any action, the commissioner shall consult with the applicant and the affected local government units, including notifying them of the proposed actions to be taken. The commissioner shall publish any order modifying a zone in the State Register and on the Internet. The applicant may appeal the commissioner's order under the contested case procedures of chapter 14.

Subd. 4. [EXISTING BUSINESSES.] (a) An action to remove area from a zone or to terminate a zone under this section does not apply to:

(1) the property tax on improvements constructed before the first January 2 following publication of the commissioner's order;

(2) sales tax on purchases made before the first day of the next calendar month beginning at least 30 days after publication of the commissioner's order; and

(3) individual income tax or corporate franchise tax attributable to a facility that was in operation before the publication of the commissioner's order.

(b) The tax exemptions specified in paragraph (a) terminate on the date on which the zone expires under the original designation.

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

## ARTICLE 3

## FEDERAL UPDATE

Section 1. Minnesota Statutes 2002, section 289A.02, subdivision 7, as amended by Laws 2003, chapter 127, article 4, section 1, is amended to read:

Subd. 7. [INTERNAL REVENUE CODE.] Unless specifically defined otherwise, "Internal Revenue Code" means the Internal Revenue Code of 1986, as amended through ~~December 31, 2002~~ June 15, 2003.

**[EFFECTIVE DATE.]** This section is effective the day following final enactment and is intended to adopt the provisions of H.R. 2, the Jobs and Growth Tax Relief Reconciliation Act of 2003, if it is enacted into law.

Sec. 2. Minnesota Statutes 2002, section 290.01, subdivision 19, as amended by Laws 2003, chapter 127, article 4, section 2, is amended to read:

Subd. 19. [NET INCOME.] The term "net income" means the federal taxable income, as defined in section 63 of the Internal Revenue Code of 1986, as amended through the date named in this subdivision, incorporating 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 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.

The Internal Revenue Code of 1986, as amended through ~~December 31, 2002~~ June 15, 2003, shall be in effect for taxable years beginning after December 31, 2002. The provisions of section 201 of the Jobs and Growth Tax Relief and Reconciliation Act of 2003, H.R. 2, if it is enacted into law, are effective at the same time it became 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 and is intended to adopt the provisions of H.R. 2, the Jobs and Growth Tax Relief Reconciliation Act of 2003, if it is enacted into law.

Sec. 3. Minnesota Statutes 2002, section 290.01, subdivision 31, as amended by Laws 2003, chapter 127, article 4, section 3, is amended to read:

Subd. 31. [INTERNAL REVENUE CODE.] Unless specifically defined otherwise, "Internal Revenue Code" means the Internal Revenue Code of 1986, as amended through ~~December 31, 2002~~ June 15, 2003.

[EFFECTIVE DATE.] This section is effective the day following final enactment and is intended to adopt the provisions of H.R. 2, the Jobs and Growth Tax Relief Reconciliation Act of 2003, if it is enacted into law.

Sec. 4. Minnesota Statutes 2002, section 290A.03, subdivision 15, as amended by Laws 2003, chapter 127, article 4, section 4, is amended to read:

Subd. 15. [INTERNAL REVENUE CODE.] "Internal Revenue Code" means the Internal Revenue Code of 1986, as amended through ~~December 31, 2002~~ June 15, 2003.

[EFFECTIVE DATE.] This section is effective for refunds payable for rents paid in 2003 and thereafter and property taxes payable in 2004 and thereafter and is intended to adopt the provisions of H.R. 2, the Jobs and Growth Tax Relief Reconciliation Act of 2003, if it is enacted into law.

Sec. 5. [EFFECTIVE DATE.]

This article is effective only after the state makes a certification to the Secretary of the Treasury of the United States that satisfies the requirements of section 601(e) of the Jobs and Growth Tax Relief and Reconciliation Act of 2003, H.R. 2. The commissioner of finance shall certify to the commissioner of revenue when the requirements of this section have been met.

#### ARTICLE 4

#### PROPERTY TAXES

Section 1. Minnesota Statutes 2002, section 272.02, subdivision 25, is amended to read:

Subd. 25. [ICE ARENAS; BASEBALL PARKS.] (a) Real and personal property is exempt if it is owned and operated by a private, nonprofit corporation exempt from federal income taxation pursuant to United States Code, title 26, section 501(c)(3), primarily used for an ice arena or ice rink, and used primarily for youth and high school programs.



(b) Real property is exempt if it is owned and operated by a private, nonprofit corporation exempt from federal income taxation pursuant to United States Code, title 26, section 501(c)(3), and primarily used as a baseball park by amateur baseball players.

**[EFFECTIVE DATE.]** This section is effective for taxes levied in 2003, payable in 2004, and thereafter.

Sec. 2. Minnesota Statutes 2002, section 272.02, is amended by adding a subdivision to read:

Subd. 56. [ELDERLY LIVING FACILITY.] An elderly living facility is exempt from taxation if it meets all of the following requirements:

(1) the facility is located in a city of the first class with a population of more than 350,000;

(2) the facility is owned and operated by a nonprofit corporation organized under chapter 317A;

(3) the construction of the facility was commenced after January 1, 2002, and before June 1, 2003;

(4) the facility consists of two buildings, which are connected to a church that is exempt from taxation under subdivision 6;

(5) the land for the facility was donated to the nonprofit corporation by the church to which the facility is connected;

(6) the residents of the facility must be (i) at least 62 years of age or (ii) handicapped;

(7) the facility operates an on-site congregate dining program in which participation by residents is mandatory, and provides assisted living or similar social and physical support services for residents; and

(8) at least 30 percent of the units in the facility are occupied by persons whose annual income does not exceed 50 percent of median family income for the area.

The property is exempt under this subdivision for taxes levied in each year or partial year of the term of the facility's initial permanent financing or 25 years, whichever is later.

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

Sec. 3. Minnesota Statutes 2002, section 273.11, subdivision 13, is amended to read:

Subd. 13. [VALUATION OF INCOME-PRODUCING PROPERTY.] Beginning with the 1995 assessment, only accredited assessors or senior accredited assessors or other licensed assessors who have successfully completed at least two income-producing property appraisal courses may value income-producing property for ad valorem tax purposes. "Income-producing property" as used in this subdivision means the taxable property in class 3a and 3b in section 273.13, subdivision 24; class 4a and 4c, except for seasonal recreational property not used for commercial purposes, ~~and class 4d in section 273.13, subdivision 25;~~ and class 5 in section 273.13, subdivision 31. "Income-producing property" includes any property in class 4e in section 273.13, subdivision 25, that would be income-producing property under the definition in this subdivision if it were not substandard. "Income-producing property appraisal course" as used in this subdivision means a course of study of approximately 30 instructional hours, with a final comprehensive test. An assessor must successfully complete the final examination for each of the two required courses. The course must be approved by the board of assessors.

**[EFFECTIVE DATE.]** This section is effective beginning with the 2004 assessment for property taxes payable in 2005.

Sec. 4. Minnesota Statutes 2002, 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;

(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, (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 beginning with the 2004 assessment, for property taxes payable in 2005.

Sec. 5. Minnesota Statutes 2002, section 275.025, subdivision 1, is amended to read:

Subdivision 1. [LEVY AMOUNT.] The state general levy is levied against commercial-industrial property and seasonal recreational property, as defined in this section. The state general levy is \$592,000,000 for taxes payable in 2002. For taxes payable in subsequent years, the levy is increased each year by multiplying the amount for the prior year by the sum of one plus the rate of increase, if any, in the implicit price deflator for government consumption expenditures and gross investment for state and local governments prepared by the Bureau of Economic Analysts of the United States Department of Commerce for the 12-month period ending March 31 of the year prior to the year the taxes are payable. The tax under this section is not treated as a local tax rate under section 469.177 and is not the levy of a governmental unit under chapters 276A and 473F. ~~Beginning in fiscal year 2004, and in each year thereafter, the commissioner of finance shall deposit in an education reserve account, which account is hereby established, the increased amount of the state general levy received for deposit in the general fund for that year over the amount of the state general levy received for deposit in the general fund in fiscal year 2003. The amounts in the education reserve account do not lapse or cancel each year, but remain until appropriated by law for education aid or higher education funding.~~

The commissioner shall increase or decrease the preliminary or final rate for a year as necessary to account for errors and tax base changes that affected a preliminary or final rate for either of the two preceding years. Adjustments are allowed to the extent that the necessary information is available to the commissioner at the time the rates for a year must be certified, and for the following reasons:

(1) an erroneous report of taxable value by a local official;

(2) an erroneous calculation by the commissioner; and

(3) an increase or decrease in taxable value for commercial-industrial or seasonal residential recreational property reported on the abstracts of tax lists submitted under section 275.29 that was not reported on the abstracts of assessment submitted under section 270.11, subdivision 2, for the same year.

The commissioner may, but need not, make adjustments if the total difference in the tax levied for the year would be less than \$100,000.

**[EFFECTIVE DATE.]** This section is effective June 30, 2003.

Sec. 6. Minnesota Statutes 2002, 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 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 general tax, net of the residential and agricultural homestead credit under section 273.1384, voter approved school levy, other local school levy, and the sum of the special taxing districts, and as a total of all taxing authorities:

(i) the actual tax for taxes payable in the current year;

~~(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)~~ (ii) the proposed tax amount.

If the county levy under clause (2) includes an amount for a lake improvement district as defined under sections 103B.501 to 103B.581, the amount attributable for that purpose must be separately stated from the remaining county levy amount.

In the case of a town or the state general tax, the final tax shall also be its proposed tax unless the town changes its levy at a special town meeting under section 365.52. If a school district has certified under section 126C.17, subdivision 9, that a referendum will be held in the school district at the November general election, the county auditor must note next to the school district's proposed amount that a referendum is pending and that, if approved by the voters, the tax amount may be higher than shown on the notice. In the case of the city of Minneapolis, the levy for 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 the city of St. Paul, the levy for the St. Paul library agency must be listed separately from the remaining amount of the city's levy. In the case of a parcel where tax increment or the fiscal disparities areawide tax under chapter 276A or 473F applies, the proposed tax levy on the captured value or the proposed tax levy on the tax capacity subject to the areawide tax must each be stated separately and not included in the sum of the special taxing districts; and

(3) the increase or decrease between the total taxes payable in the current year and the total proposed taxes, expressed as a percentage.

For purposes of this section, the amount of the tax on homesteads qualifying under the senior citizens' property tax deferral program under chapter 290B is the total amount of property tax before subtraction of the deferred property tax amount.

(e) The notice must clearly state that the proposed or final taxes do not include the following:

(1) special assessments;

(2) levies approved by the voters after the date the proposed taxes are certified, including bond referenda, and school district levy referenda, ~~and~~;

(3) a levy limit increase ~~referenda~~ approved by the voters by the first Tuesday after the first Monday in November of the levy year as provided under section 275.73;

~~(3)~~ (4) amounts necessary to pay cleanup or other costs due to a natural disaster occurring after the date the proposed taxes are certified;

~~(4)~~ (5) amounts necessary to pay tort judgments against the taxing authority that become final after the date the proposed taxes are certified; and

~~(5)~~ (6) the contamination tax imposed on properties which received market value reductions for contamination.

(f) Except as provided in subdivision 7, failure of the county auditor to prepare or the county treasurer to deliver the notice as required in this section does not invalidate the proposed or final tax levy or the taxes payable pursuant to the tax levy.

(g) If the notice the taxpayer receives under this section lists the property as nonhomestead, and satisfactory documentation is provided to the county assessor by the applicable deadline, and the property qualifies for the homestead classification in that assessment year, the assessor shall reclassify the property to homestead for taxes payable in the following year.

(h) In the case of class 4 residential property used as a residence for lease or rental periods of 30 days or more, the taxpayer must either:

(1) mail or deliver a copy of the notice of proposed property taxes to each tenant, renter, or lessee; or

(2) post a copy of the notice in a conspicuous place on the premises of the property.

The notice must be mailed or posted by the taxpayer by November 27 or within three days of receipt of the notice, whichever is later. A taxpayer may notify the county treasurer of the address of the taxpayer, agent, caretaker, or manager of the premises to which the notice must be mailed in order to fulfill the requirements of this paragraph.

(i) For purposes of this subdivision, 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 prepared in 2003 for taxes payable in 2004, and thereafter.

Sec. 7. Minnesota Statutes 2002, section 275.066, is amended to read:

275.066 [SPECIAL TAXING DISTRICTS; DEFINITION.]

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

- (1) watershed districts under chapter 103D;
- (2) sanitary districts under sections 115.18 to 115.37;
- (3) regional sanitary sewer districts under sections 115.61 to 115.67;
- (4) regional public library districts under section 134.201;
- (5) park districts under chapter 398;
- (6) regional railroad authorities under chapter 398A;
- (7) hospital districts under sections 447.31 to 447.38;
- (8) St. Cloud metropolitan transit commission under sections 458A.01 to 458A.15;
- (9) Duluth transit authority under sections 458A.21 to 458A.37;
- (10) regional development commissions under sections 462.381 to 462.398;
- (11) housing and redevelopment authorities under sections 469.001 to 469.047;
- (12) port authorities under sections 469.048 to 469.068;
- (13) economic development authorities under sections 469.090 to 469.1081;
- (14) metropolitan council under sections 473.123 to 473.549;
- (15) metropolitan airports commission under sections 473.601 to 473.680;
- (16) metropolitan mosquito control commission under sections 473.701 to 473.716;



- (17) Morrison county rural development financing authority under Laws 1982, chapter 437, section 1;
- (18) Croft Historical Park District under Laws 1984, chapter 502, article 13, section 6;
- (19) East Lake county medical clinic district under Laws 1989, chapter 211, sections 1 to 6;
- (20) Floodwood area ambulance district under Laws 1993, chapter 375, article 5, section 39;
- (21) Middle Mississippi river watershed management organization under sections 103B.211 and 103B.241;
- (22) emergency medical services special taxing districts under section 144F.01;
- (23) a county levying under the authority of section 103B.241, 103B.245, or 103B.251; ~~and~~
- (24) Southern St. Louis County Special Taxing District; Chris Jensen Nursing Home under section 12; and

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

Sec. 8. Minnesota Statutes 2002, section 473.167, subdivision 3, is amended to read:

Subd. 3. [TAX.] The council may levy a tax on all taxable property in the metropolitan area, as defined in section 473.121, to provide funds for loans made pursuant to subdivisions 2 and 2a. This tax for the right-of-way acquisition loan fund shall be certified by the council, levied, and collected in the manner provided by section 473.13. The tax shall be in addition to that authorized by section 473.249 and any other law and shall not affect the amount or rate of taxes which may be levied by the council or any metropolitan agency or local governmental unit. The amount of the levy shall be as determined and certified by the council, provided that the tax levied by the metropolitan council for the right-of-way acquisition loan fund shall not exceed ~~the product of (1) the metropolitan council's property tax levy under this subdivision for taxes payable in 1997 multiplied by (2) an index for market valuation changes equal to the total market valuation of all taxable property located within the metropolitan area for the current taxes payable year divided by the total market valuation of all taxable property located within the metropolitan area for taxes payable in 1997.~~

~~For the purpose of determining the metropolitan council's property tax levy limitation for the right-of-way acquisition loan fund, "total market valuation" means the total market valuation of all taxable property within the metropolitan area without valuation adjustments for fiscal disparities (chapter 473F), tax increment financing (sections 469.174 to 469.179), and high voltage transmission lines (section 273.425) \$2,828,379 for taxes payable in 2004 and \$2,828,379 for taxes payable in 2005. The amount of the levy for taxes payable in 2006 and subsequent years shall not exceed the product of (1) the metropolitan council's property tax levy limitation under this subdivision for the previous year, multiplied by (2) one plus a percentage equal to the growth in the implicit price deflator as defined in section 275.70, subdivision 2.~~

**[EFFECTIVE DATE; APPLICATION.] This section is effective the day following final enactment and applies in the counties of Anoka, Carver, Dakota, Hennepin, Ramsey, Scott, and Washington.**

Sec. 9. Minnesota Statutes 2002, section 473.249, subdivision 1, is amended to read:

Subdivision 1. [INDEXED LIMIT.] (a) The metropolitan council may levy a tax on all taxable property in the metropolitan area defined in section 473.121 to provide funds for the purposes of sections 473.121 to 473.249 and for the purpose of carrying out other responsibilities of the council as provided by law. This tax for general purposes shall be levied and collected in the manner provided by section 473.13.

(b) The property tax levied by the metropolitan council for general purposes shall not exceed \$10,522,329 for taxes payable in 2004 and \$10,522,329 for taxes payable in 2005.

~~(c) The property tax levy limitation for general purposes for taxes payable in 2006 and subsequent years shall not exceed the product of: (1) the metropolitan council's property tax levy limitation for general purposes for the previous year determined under this subdivision multiplied by (2) the lesser of~~

~~(i) an index for market valuation changes equal to the total market valuation of all taxable property located within the metropolitan area for the current taxes payable year divided by the total market valuation of all taxable property located within the metropolitan area for the previous taxes payable year;~~

~~(ii) an index equal to the implicit price deflator for government consumption expenditures and gross investment for state and local governments for the most recent month for which data are available divided by the same implicit price deflator for the same month of the previous year; or~~

~~(iii) 103 percent.~~

~~(e) For the purpose of determining the metropolitan council's property tax levy limitation for general purposes, "total market valuation" means the total market valuation of all taxable property within the metropolitan area without valuation adjustments for fiscal disparities (chapter 473F), tax increment financing (sections 469.174 to 469.179), and high voltage transmission lines (section 273.425) one plus a percentage equal to the growth in the implicit price deflator as defined in section 275.70, subdivision 2.~~

**[EFFECTIVE DATE; APPLICATION.]** This section is effective the day following final enactment and applies in the counties of Anoka, Carver, Dakota, Hennepin, Ramsey, Scott, and Washington.

Sec. 10. Minnesota Statutes 2002, section 473.253, subdivision 1, is amended to read:

Subdivision 1. [SOURCES OF FUNDS.] The council shall credit to the livable communities demonstration account the revenues provided in this subdivision. This tax shall be levied and collected in the manner provided by section 473.13. The levy shall not exceed the following amount for the years specified:

~~(a)(1) for taxes payable in 1996, 50 percent of (i) the metropolitan mosquito control commission's property tax levy for taxes payable in 1995 multiplied by (ii) an index for market valuation changes equal to the total market valuation of all taxable property located within the metropolitan area for the current taxes payable year divided by the total market valuation of all taxable property located in the metropolitan area for the previous taxes payable year; and~~

~~(2) for taxes payable in 1997 and subsequent years through 2003, the product of (i) the property tax levy limit under this subdivision for the previous year multiplied by (ii) an index for market valuation changes equal to the total market valuation of all taxable property located within the metropolitan area for the current taxes payable year divided by the total market valuation of all taxable property located in the metropolitan area for the previous taxes payable year;~~

(2) for taxes payable in 2004 and 2005, \$8,259,070; and

(3) for taxes payable in 2006 and subsequent years, the product of (i) the property tax levy limit under this subdivision for the previous year multiplied by (ii) one plus a percentage equal to the growth in the implicit price deflator as defined in section 275.70, subdivision 2.

~~For the purposes of this subdivision, "total market valuation" means the total market valuation of all taxable property within the metropolitan area without valuation adjustments for fiscal disparities under chapter 473F, tax increment financing under sections 469.174 to 469.179, and high voltage transmission lines under section 273.425.~~

(b) The metropolitan council, for the purposes of the fund, is considered a unique taxing jurisdiction for purposes of receiving aid pursuant to section 273.1398. For aid to be received in 1996, the fund's homestead and agricultural credit base shall equal 50 percent of the metropolitan mosquito control commission's certified homestead and agricultural credit aid for 1995, determined under section 273.1398, subdivision 2, less any permanent aid reduction under section 477A.0132. For aid to be received under section 273.1398 in 1997 and subsequent years, the fund's homestead and agricultural credit base shall be determined in accordance with section 273.1398, subdivision 1.

**[EFFECTIVE DATE; APPLICATION.]** This section is effective the day following final enactment and applies in the counties of Anoka, Carver, Dakota, Hennepin, Ramsey, Scott, and Washington.

Sec. 11. 2003 First Special Session H. F. No. 1, article 2, section 118, subdivision 6, if enacted, is amended to read:

Subd. 6. **[OPERATING COSTS OF PHASES THREE TO SIX.]** (a) The ongoing costs of the commissioner in operating phases three to six of the statewide public safety radio communication system shall be allocated among and paid by the following users, all in accordance with the statewide public safety radio communication system plan developed by the planning committee under section 473.907:

- (1) the state of Minnesota for its operations using the system;
- (2) all local government units using the system; and
- (3) other eligible users of the system.

(b) Each local government and other eligible users of phases three to six of the system shall pay to the commissioner all sums charged under this section, at the times and in the manner determined by the commissioner. The governing body of each local government shall take all action that may be necessary to provide the funds required for these payments and to make the payments when due.

~~(c) If the governing body of any local government using phase three, four, five, or six of the system fails to meet any payment to the commissioner under this subdivision when due, the commissioner may certify to the auditor of the county in which the government unit is located the amount required for payment of the amount due with interest at six percent per year. The auditor shall levy and extend the amount due, with interest, as a tax upon all taxable property in the government unit for the next calendar year, free from any existing limitations imposed by law or charter. This tax shall be collected in the same manner as the general taxes of the government unit, and the proceeds of the tax, when collected, shall be paid by the county treasurer to the commissioner and credited to the government unit for which the tax was levied.~~

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

Sec. 12. **[SOUTHERN ST. LOUIS COUNTY SPECIAL TAXING DISTRICT; CHRIS JENSEN NURSING HOME.]**

Subdivision 1. [ESTABLISHED.] The Southern St. Louis County Special Taxing District for purposes of the Chris Jensen Nursing Home is established.

Subd. 2. [AREA.] The district in subdivision 1 includes all that part of St. Louis county comprising the cities of Duluth, Proctor, Hermantown, Brookston, Floodwood, and Meadowlands, and the townships of Alborn, Alden, Arrowhead, Brevator, Canosia, Culver, Duluth, Elmer, Fine Lakes, Floodwood, Fredenberg, Gensen, Grand Lake, Halden, Industrial, Lakewood, Meadowlands, Midway, Ness, New Independence, Normanna, Northland, North Star, Pequaywan, Prairie Lake, Rice Lake, Solway, Stoney Brook, and Van Buren, and unorganized congressional townships of 52-21, 53-16, and 53-15.

Subd. 3. [PURPOSE.] The district established in subdivision 1 is established to operate, maintain, and improve the Chris Jensen Nursing Home.

Subd. 4. [LEVY AUTHORITY.] The district established under subdivision 1 is a public corporation and political subdivision of the state with all the powers, rights, privileges, immunities, and duties that may be validly granted to or imposed on a municipal corporation as provided in this section, and a special taxing district as defined by Minnesota Statutes, section 275.066, clause (24), with the power to adopt and certify a property tax levy to the county auditor. The maximum allowable annual levy for this special taxing district must not exceed 1.90 percent of the taxable tax capacity of the district in the first year and 1.33 percent of the taxable tax capacity of the district in the second year and thereafter.

Subd. 5. [MEMBERS; SELECTION; TERMS.] The nursing home board is composed of nine members selected as follows:

(1) The mayor of the city of Duluth shall appoint three members, subject to approval of the Duluth city council. Each member appointed under this clause must live in the city of Duluth and at least two must be Duluth city council members. All three appointees serve at the pleasure of the mayor, except that each member shall serve until a successor has been selected and qualified.

(2) The St. Louis county board shall appoint three county board members. Two appointees must reside in the city of Duluth and one must reside in the district but outside the city of Duluth. The members appointed under this clause serve at the pleasure of the county board, except that each member shall serve until a successor has been selected and qualified.

(3) The St. Louis county auditor must convene and preside at a meeting of the mayors of the cities of Hermantown and Proctor at which the mayors must appoint a city council member from one of the two cities to serve on the nursing home board. The member appointed under this clause serves at the pleasure of each mayor and either mayor may require the member's resignation at any time, except that the member shall serve until a successor has been selected and qualified.

(4) The St. Louis county auditor must convene and preside at a meeting of the chairs of the town board of supervisors from each of the townships of Rice Lake, Grand Lake, Lakewood, and Canosia at which the chairs must appoint a resident of one of the townships to serve on the nursing home board. The term of the first person appointed after the effective date of this section shall expire December 31 of the third full year following appointment. Thereafter, the term of the person appointed under this clause is three years, except that the member shall serve until a successor has been selected and qualified.

(5) The St. Louis county auditor must convene and preside at a meeting of the mayors of the cities of Brookston, Floodwood, and Meadowlands, and the chairs of the town boards of supervisors from all of the townships in the district not included in clause (4), at which the mayors and town board chairs must appoint a resident of one of the cities, townships, or unorganized areas to serve on the nursing home board. The term of the first person appointed after the effective date of this section shall expire December 31 of the third full year following appointment. Thereafter, the term of the person appointed under this clause is three years, except that the member shall serve until a successor has been selected and qualified.

After the initial appointment of members under clauses (3) to (5), the nursing home board must notify the St. Louis county auditor whenever a member needs to be appointed under these clauses, and the county auditor must convene one or more meetings as necessary to fill the position. Meetings to make appointments under clauses (3) to (5) are subject to the Open Meeting Law, Minnesota Statutes, chapter 13D.

Subd. 6. [TIME LIMITS FOR SELECTION; ALTERNATIVE APPOINTMENT BY DISTRICT JUDGE.] The appointing authorities must make initial appointments to the nursing home board as soon as practicable, but no later than 60 days after the effective date of this section. A vacant position on the nursing home board for which the member serves at the pleasure of the appointing authority, must be filled as soon as practicable, but no later than 60 days, after the vacancy occurs. For members who serve terms, a successor must be appointed at any time within 60 days before the expiration of the term. Each appointment for a successor must be made in the same manner as the original appointment. If any appointment is not made within the time required, the chief judge of the state's sixth judicial district shall appoint a person who meets the qualifications for appointment to the particular nursing home board seat, if notified in writing by any interested person residing in the district. A person appointed by the chief judge serves as if appointed by the regular appointing authority.

Subd. 7. [VACANCIES.] A position must be deemed vacant under the conditions specified in Minnesota Statutes, section 351.02, or if the member fails to attend two consecutive regular meetings of the board without the consent of the board. The board may consent to a second consecutive absence up to 30 days after it occurs. A vacancy must be filled in the same manner as the original appointment.

Subd. 8. [OPEN MEETING LAW.] All meetings of the nursing home board are subject to the Open Meeting Law, Minnesota Statutes, chapter 13D.

Subd. 9. [PROPERTY.] All assets, liabilities, employees, and property of the Chris Jensen Nursing Home shall be transferred to the nursing home board from St. Louis county on the first day of the year after the formation of the nursing home board, but no later than January 1, 2005.

Subd. 10. [ORGANIZATION AND OPERATION OF THE BOARD.] The nursing home board shall elect officers and establish bylaws at its first meeting.

Subd. 11. [EFFECTIVE DATE; LOCAL APPROVAL.] This section is effective the day after the governing body of St. Louis county and its chief clerical officer timely complete their compliance with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

If effective before September 1, 2003, the first levy is the payable 2004 levy; if effective between September 1, 2003, and September 1, 2004, the first levy is the payable 2005 levy; if effective after August 31, 2004, the first levy is the payable 2006 levy.

Sec. 13. [REPEALER.]

(a) Minnesota Statutes 2002, section 272.02, subdivision 26, is repealed.

(b) Minnesota Statutes 2002, section 275.065, subdivision 3a, is repealed.

[EFFECTIVE DATE.] Paragraph (a) is effective for the 2003 assessment and thereafter, for taxes payable in 2004 and thereafter. Paragraph (b) is repealed beginning with proposed notices prepared in 2003 for taxes payable in 2004.

## ARTICLE 5

## CITY AIDS

Section 1. Minnesota Statutes 2002, section 4A.02, is amended to read:

## 4A.02 [STATE DEMOGRAPHER.]

(a) The director shall appoint a state demographer. The demographer must be professionally competent in demography and must possess demonstrated ability based upon past performance.

(b) The demographer shall:

(1) continuously gather and develop demographic data relevant to the state;

(2) design and test methods of research and data collection;

(3) periodically prepare population projections for the state and designated regions and periodically prepare projections for each county or other political subdivision of the state as necessary to carry out the purposes of this section;

(4) review, comment on, and prepare analysis of population estimates and projections made by state agencies, political subdivisions, other states, federal agencies, or nongovernmental persons, institutions, or commissions;

(5) serve as the state liaison with the United States Bureau of the Census, coordinate state and federal demographic activities to the fullest extent possible, and aid the legislature in preparing a census data plan and form for each decennial census;

(6) compile an annual study of population estimates on the basis of county, regional, or other political or geographical subdivisions as necessary to carry out the purposes of this section and section 4A.03;

(7) by January 1 of each year, issue a report to the legislature containing an analysis of the demographic implications of the annual population study and population projections;

(8) prepare maps for all counties in the state, all municipalities with a population of 10,000 or more, and other municipalities as needed for census purposes, according to scale and detail recommended by the United States Bureau of the Census, with the maps of cities showing precinct boundaries;

(9) prepare an estimate of population and of the number of households for each governmental subdivision for which the metropolitan council does not prepare an annual estimate, and convey the estimates to the governing body of each political subdivision by May 1 of each year;

(10) direct, under section 414.01, subdivision 14, and certify population and household estimates of annexed or detached areas of municipalities or towns after being notified of the order or letter of approval by the Minnesota municipal board; ~~and~~

(11) prepare, for any purpose for which a population estimate is required by law or needed to implement a law, a population estimate of a municipality or town whose population is affected by action under section 379.02 or 414.01, subdivision 14; and

(12) prepare an estimate of average household size for each statutory or home rule charter city with a population of 2,500 or more by May 1 of each year.

(c) A governing body may challenge an estimate made under paragraph (b) by filing their specific objections in writing with the state demographer by June 10. If the challenge does not result in an acceptable estimate by June 24, the governing body may have a special census conducted by the United States Bureau of the Census. The political subdivision must notify the state demographer by July 1 of its intent to have the special census conducted. The political subdivision must bear all costs of the special census. Results of the special census must be received by the state demographer by the next April 15 to be used in that year's May 1 estimate to the political subdivision under paragraph (b).

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

Sec. 2. Minnesota Statutes 2002, section 477A.011, subdivision 34, is amended to read:

Subd. 34. [CITY REVENUE NEED.] (a) For a city with a population equal to or greater than 2,500, "city revenue need" is the sum of (1) ~~3.462342~~ 5.0734098 times the pre-1940 housing percentage; plus (2) ~~2.093826~~ times the commercial industrial percentage; plus (3) 6.862552 19.141678 times the population decline percentage; plus ~~(4) .00026~~ times the city population (3) 2504.06334 times the road accidents factor; plus (5) 152.0141 (4) 355.0547; minus (5) the metropolitan area factor; minus (6) 49.10638 times the household size.

(b) For a city with a population less than 2,500, "city revenue need" is the sum of (1) ~~4.795919~~ 2.387 times the pre-1940 housing percentage; plus (2) ~~4.562138~~ 2.67591 times the commercial industrial percentage; plus (3) ~~4.177568~~ 3.16042 times the population decline percentage; plus (4) ~~4.04043~~ 1.206 times the transformed population; minus (5) ~~407.475~~ 62.772.

(c) The city revenue need cannot be less than zero.

(d) For calendar year ~~1998~~ 2005 and subsequent years, the city revenue need for a city, as determined in paragraphs (a) to (c), is multiplied by the ratio of the annual implicit price deflator for government consumption expenditures and gross investment for state and local governments as prepared by the United States Department of Commerce, for the most recently available year to the ~~1993~~ 2003 implicit price deflator for state and local government purchases.

**[EFFECTIVE DATE.]** This section is effective for aid payable in 2004 and thereafter.

Sec. 3. Minnesota Statutes 2002, section 477A.011, subdivision 36, is amended to read:

Subd. 36. [CITY AID BASE.] (a) Except as otherwise provided in 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 is zero.~~

(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.~~

~~(e)~~ 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)~~ (c) The city aid base for a city is increased by \$20,000 in 1998 and thereafter and the maximum amount of total aid it may receive under section 477A.013, subdivision 9, paragraph (c), is also increased by \$20,000 in calendar year 1998 only, provided that:

- (i) the city has a population in 1994 of 2,500 or more;
- (ii) the city is located in a county, outside of the metropolitan area, which contains a city of the first class;
- (iii) the city's net tax capacity used in calculating its 1996 aid under section 477A.013 is less than \$400 per capita; and
- (iv) at least four percent of the total net tax capacity, for taxes payable in 1996, of property located in the city is classified as railroad property.

~~(e)~~ (d) The city aid base for a city is increased by \$200,000 in 1999 and thereafter and the maximum amount of total aid it may receive under section 477A.013, subdivision 9, paragraph (c), is also increased by \$200,000 in calendar year 1999 only, provided that:

- (i) the city was incorporated as a statutory city after December 1, 1993;
- (ii) its city aid base does not exceed \$5,600; and
- (iii) the city had a population in 1996 of 5,000 or more.

~~(e)~~ (e) 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.

~~(e)~~ (f) Beginning in 2004, the city aid base for a city is equal to the sum of its city aid base in 2003 and the amount of additional aid it was certified to receive under section 477A.06 in 2003. For 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 2003.



~~(h)~~ (g) 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)~~ (h) 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)~~ (i) 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.

~~(j)~~ (j) 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.

~~(k)~~ (k) 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.

~~(l)~~ (l) 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.

~~(m)~~ (m) 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.

~~(n)~~ (n) 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.

~~(o)~~ (o) 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.

~~(p)~~ (p) 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.

(q) The city aid base for a city is increased by \$200,000 in 2004 only and the maximum amount of total aid it may receive under section 477A.013, subdivision 9, is also increased by \$200,000 in calendar year 2004 only, if the city is the site of a nuclear dry cask storage facility.

(r) The city aid base for a city is increased by \$10,000 in 2004 and thereafter and the maximum total aid it may receive under section 477A.013, subdivision 9, is also increased by \$10,000 in calendar year 2004 only, if the city was included in a federal major disaster designation issued on April 1, 1998 and its pre-1940 housing stock was decreased by more than 40 percent between 1990 and 2000.

**[EFFECTIVE DATE.]** This section is effective beginning with aids payable in 2004.

Sec. 4. Minnesota Statutes 2002, section 477A.011, is amended by adding a subdivision to read:

Subd. 38. [HOUSEHOLD SIZE.] "Household size" means the average number of persons per household in the jurisdiction as most recently estimated and reported by the state demographer as of July 1 of the aid calculation year.

[EFFECTIVE DATE.] This section is effective for aid payable in 2004 and thereafter.

Sec. 5. Minnesota Statutes 2002, section 477A.011, is amended by adding a subdivision to read:

Subd. 39. [ROAD ACCIDENTS FACTOR.] "Road accidents factor" means the average annual number of vehicular accidents occurring on public roads, streets, and alleys in the jurisdiction as reported to the commissioner of revenue by the commissioner of public safety by July 1 of the aid calculation year using the most recent three-year period for which the commissioner of public safety has complete information, divided by the jurisdiction's population.

[EFFECTIVE DATE.] This section is effective for aid payable in 2004 and thereafter.

Sec. 6. Minnesota Statutes 2002, section 477A.011, is amended by adding a subdivision to read:

Subd. 40. [METROPOLITAN AREA FACTOR.] "Metropolitan area factor" means 35.20915 for cities located in the metropolitan area.

[EFFECTIVE DATE.] This section is effective for aid payable in 2004 and thereafter.

Sec. 7. Minnesota Statutes 2002, section 477A.013, subdivision 8, is amended to read:

Subd. 8. [CITY FORMULA AID.] In calendar year ~~1994~~ 2004 and subsequent years, the formula aid for a city is equal to the need increase percentage multiplied by the difference between (1) the city's revenue need multiplied by its population, and (2) the sum of the city's net tax capacity multiplied by the tax effort rate, and the taconite aids under sections 298.28 and 298.282, multiplied by the following percentages:

- (i) zero percent for aids payable in 2004;
- (ii) 25 percent for aids payable in 2005;
- (iii) 50 percent for aids payable in 2006;
- (iv) 75 percent for aids payable in 2007; and
- (v) 100 percent for aids payable in 2008 and thereafter.

No city may have a formula aid amount less than zero. The need increase percentage must be the same for all cities.

~~Notwithstanding the prior sentence, in 1995 only, the need increase percentage for a city shall be twice the need increase percentage applicable to other cities if:~~

- ~~(1) the city, in 1992 or 1993, transferred an amount from governmental funds to their sewer and water fund, and~~
- ~~(2) the amount transferred exceeded their net levy for taxes payable in the year in which the transfer occurred.~~

The applicable need increase percentage ~~or percentages~~ must be calculated by the department of revenue so that the total of the aid under subdivision 9 equals the total amount available for aid under section 477A.03 after the subtraction under section 477A.014, subdivisions 4 and 5.

**[EFFECTIVE DATE.]** This section is effective for aid payable in 2004 and thereafter.

Sec. 8. Minnesota Statutes 2002, 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 aid for a first class city in calendar year 1995 and thereafter, except for 2002, 2004 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 amount of its aid in calendar year 2003 after the reductions under this article. 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 2005 and thereafter, 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. For aids payable in 2002 only, the total aid for any city, except a first class city, shall not exceed 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, plus (3) its total aid in the previous year under this section. For aids payable in 2005 and thereafter, the total aid for any city with a population of 2,500 or more may not decrease from its total aid under this section in the previous year by an amount greater than ten percent of its net levy in the year prior to the aid distribution.~~

(d) ~~For aids payable in 2004 only, the total aid for a city with a population less than 2,500 may not be less than the amount it was certified to receive in 2003 minus the greater of (1) the reduction to this aid payment in 2003 under this article, or (2) five percent of its 2003 aid amount. For aids payable in 2005 and thereafter, the total aid for a city with a population less than 2,500 must not be less than the amount it was certified to receive in the previous year minus five percent of its 2003 certified aid amount.~~

**[EFFECTIVE DATE.]** This section is effective beginning with aids payable in 2004.

Sec. 9. Minnesota Statutes 2002, 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 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 for aids payable in 2004 and thereafter.

Sec. 10. Minnesota Statutes 2002, section 477A.03, is amended by adding a subdivision to read:

Subd. 2a. [CITIES.] For aids payable in 2004, the total aids paid under section 477A.013, subdivision 9, are limited to \$429,000,000. For aids payable in 2005 and thereafter, the total aids paid under section 477A.013, subdivision 9, are increased to \$437,052,000.

**[EFFECTIVE DATE.]** This section is effective for aids payable in 2004 and thereafter.

Sec. 11. [DEFINITIONS.]

(a) For purposes of sections 11 to 13, the following terms have the meanings given them in this section.

(b) The 2003 and 2004 "levy plus aid revenue base" for a city is the sum of that city's certified property tax levy for taxes payable in 2003, plus the sum of the amounts the city was certified to receive in 2003 as:

(1) local government aid under Minnesota Statutes, section 477A.013;

(2) existing low-income housing aid under Minnesota Statutes, section 477A.06;

(3) new construction low-income housing aid under Minnesota Statutes, section 477A.065; and

(4) taconite aids under Minnesota Statutes, sections 298.28 and 298.282, including any aid which was required to be placed in a special fund for expenditure in the next succeeding year.

(c) "Total revenue" for a city for a particular year is the total revenue amount for that city, as reported by the state auditor for the same year, or for the most recent preceding year for which the state auditor has reported, excluding grants between political subdivisions and amounts borrowed by the city but including net transfers from an enterprise fund.

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

## Sec. 12. [2003 CITY AID REDUCTIONS.]

The commissioner of revenue shall compute an aid reduction amount for each city for 2003 equal to 9.3 percent of the city's levy plus aid revenue base for 2003.

The reduction amount is limited to 3.7 percent of the city's total revenues for 2003 if a city has a population under 1,000 or if the city has a three-year levy plus aid revenue base increase average of less than two percent. For all other cities, the reduction amount is limited to 5.25 percent of the city's total revenues for 2003.

The reduction is further limited to the sum of the city's payable 2003 distribution pursuant to Minnesota Statutes, section 477A.013, and related sections, and the city's payable 2003 reimbursement under Minnesota Statutes, section 273.1384.

The reduction is applied first to the city's distribution pursuant to Minnesota Statutes, section 477A.013, and then if necessary to the city's reimbursements pursuant to Minnesota Statutes, section 273.1384.

To the extent that sufficient information is available on each successive payment date within the year, the commissioner of revenue shall pay any remaining 2003 distribution or reimbursement amount reduced under this section in equal installments on the payment dates provided in law.

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

## Sec. 13. [2004 CITY AID REDUCTIONS.]

The commissioner of revenue shall compute an aid reduction amount for 2004 for each city as provided in this section.

The initial aid reduction amount for each city is the amount by which the city's aid distribution under Minnesota Statutes, section 477A.013, and related provisions payable in 2003 exceeds the city's 2004 distribution under those provisions.

The minimum aid reduction amount for a city is the amount of its reduction in 2003 under section 12. If a city receives an increase to its city aid base under Minnesota Statutes, section 477A.011, subdivision 36, its minimum aid reduction is reduced by an equal amount.

The maximum aid reduction amount for a city is an amount equal to 14 percent of the city's total 2004 levy plus aid revenue base, except that if the city has a city net tax capacity for aids payable in 2004, as defined in Minnesota Statutes, section 477A.011, subdivision 20, of \$700 per capita or less, the maximum aid reduction shall not exceed an amount equal to 13 percent of the city's total 2004 levy plus aid revenue base.

If the initial aid reduction amount for a city is less than the minimum aid reduction amount for that city, the final aid reduction amount for the city is the sum of the initial aid reduction amount and the lesser of the amount of the city's payable 2004 reimbursement under Minnesota Statutes, section 273.1384, or the difference between the minimum and initial aid reduction amounts for the city.

If the initial aid reduction amount for a city is greater than the maximum aid reduction amount for the city, the city receives an additional distribution under this section equal to the result of subtracting the maximum aid reduction amount from the initial aid reduction amount. This distribution shall be paid in equal installments in 2004 on the dates specified in Minnesota Statutes, section 477A.015. The amount necessary for these additional distributions is appropriated to the commissioner of revenue from the general fund in fiscal year 2005.

The initial aid reduction is applied to the city's distribution pursuant to Minnesota Statutes, section 477A.013, and any aid reduction in excess of the initial aid reduction is applied to the city's reimbursements pursuant to Minnesota Statutes, section 273.1384.

To the extent that sufficient information is available on each payment date in 2004, the commissioner of revenue shall pay the reimbursements reduced under this section in equal installments on the payment dates provided in law.

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

Sec. 14. [REPEALER.]

Minnesota Statutes 2002, sections 477A.011, subdivision 37; 477A.0132; 477A.03, subdivisions 3 and 4; 477A.06; and 477A.07, are repealed effective for aids payable in 2004 and thereafter.

## ARTICLE 6

### OTHER INTERGOVERNMENTAL AIDS

Section 1. Minnesota Statutes 2002, section 273.1398, subdivision 4a, is amended to read:

Subd. 4a. [TEMPORARY AID OFFSET FOR COURT COSTS.] (a) In calendar years 2004 and 2005, the commissioner of revenue shall pay the amounts determined in paragraph (d) to the eligible counties on the dates specified in subdivision 6. ~~By July 15 of the year preceding the year in which the state assumes the cost of court administration in the judicial district as specified under section 480.183, 2003, the supreme court shall determine and certify to the commissioner of revenue for each county the county's share of the costs to be assumed in the judicial districts specified under section 480.183, subdivision 1, during each of the succeeding fiscal year years.~~

(b) The amount certified in paragraph (a) shall be equal to the following:

(1) 103 percent of the required court administration expenditures as defined under section 480.183, subdivision 3, for calendar year 2003, as determined under subdivision 4b, paragraph (a); plus

(2) an adjustment for any cumulative percentage increase in salary expenditures as defined under section 480.183, subdivision 2, in excess of a maintenance of effort increase of six percent; less

(3) an amount equal to the county's share of transferred fines collected by the district courts in the county during ~~the calendar year preceding certification 2002, increased by two percent for counties in districts one and three, and by 4.04 percent for counties in districts six and ten.~~

The court and the county may, if both parties agree, negotiate and certify an amount higher than the amount calculated under this paragraph.

(c) For purposes of this subdivision, the adjustment in paragraph (b), clause (2), shall be equal to:

(1) the sum of the court administration expenditures as defined under section 480.183, subdivision 3, required under subdivision 4b, paragraph (a), plus the temporary aid payment under subdivision 4c; multiplied by

(2) the difference between (i) the cumulative percentage increase in actual and anticipated salary settlements for court employees from July 1, 2001, until the date of the court transfer and (ii) the percentage specified in subdivision 4b, paragraph (a).



(d) ~~Payments to a county under subdivision 2 or section 273.166 for the calendar year in which the state assumes the cost of court administration as defined under section 480.183, subdivision 3, in the judicial district must be permanently reduced by an amount equal to 75 percent of the net cost to the state for assumption of district court costs as certified in paragraph (a). For calendar year 2004, each county in judicial districts one and three shall receive an amount equal to 25 percent of the amount certified under paragraph (b), and each county in judicial districts six and ten shall receive an amount equal to the amount certified under paragraph (b). For calendar year 2005, each county in judicial districts six and ten shall receive an amount equal to 25 percent of the amount certified under paragraph (b), and each county in judicial districts one and three receives zero.~~

(e) ~~Payments to a county under subdivision 2 or section 273.166 for the calendar year after the calendar year in which the state assumes the cost of court administration as defined under section 480.183, subdivision 3, in the judicial district must be permanently reduced by an amount equal to 25 percent of the net cost to the state for assumption of district court costs as certified in paragraph (a), provided that this amount must be increased or decreased by an amount equal to the positive or negative difference between the amount of fee and fine revenue certified under paragraph (b), clause (3), and the actual amount of fee and fine revenue of the county for the calendar year when certification takes place.~~

(f) ~~Payments to a county under subdivision 2 for calendar year 2001 are permanently increased by an amount equal to 7.5 percent of the county's share of transferred fines collected by the district courts in the county during calendar year 1998, as determined under paragraph (a). If the amount determined in paragraph (a) exceeds the amount of aid a county is scheduled to be paid under subdivision 2 in 2000, then the county shall not receive an aid increase under this paragraph.~~

(g) ~~Payments to a county under subdivision 2 or section 273.166, for the cost of mandated services, as defined in section 480.183, subdivision 4, in the judicial district, must be permanently reduced in 2002 by an amount equal to the cost to the state for assumption of mandated court services as defined in section 480.183, subdivision 4. The supreme court shall determine the amount for each county and certify it to the commissioner of revenue by July 15, 2001.~~

**[EFFECTIVE DATE.]** This section is effective for aid payable in 2004 and 2005.

Sec. 2. Minnesota Statutes 2002, 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~~ temporary court maintenance of effort cost 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 (b), multiplied by the maintenance of effort percent for the calendar year as determined under subdivision 4b, paragraph (a), and (2) the amount calculated under subdivision 4b, paragraph (a), for calendar year 2003, except that the payment under this section is reduced by 50 percent in the calendar year in which the district is transferred to the state. 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 for aid payable in 2004 and 2005 for counties in judicial districts one, three, six, and ten.

Sec. 3. Minnesota Statutes 2002, section 273.1398, subdivision 6, is amended to read:

Subd. 6. [PAYMENT.] The commissioner shall certify the aids provided in ~~subdivisions 2, 2b, 3, and 5~~ subdivision 3 before September 1 of the year preceding the distribution year to the county auditor of the affected local government. The aids provided in subdivisions ~~2, 2b, 3, 4a, and 5~~ 4c must be paid to local governments other than school districts at the times provided in section 477A.015 for payment of local government aid to taxing jurisdictions, except that the first one-half payment of disparity reduction aid provided in subdivision 3 must be paid on or before August 31. The disparity reduction credit provided in subdivision 4 must be paid to taxing jurisdictions other than school districts at the time provided in section 473H.10, subdivision 3. Aids and credit reimbursements to school districts must be certified to the commissioner of children, families, and learning and paid under section 273.1392. Payment shall not be made to any taxing jurisdiction that has ceased to levy a property tax.

[EFFECTIVE DATE.] This section is effective for aid payable in 2004 and thereafter.

Sec. 4. Minnesota Statutes 2002, section 273.1398, subdivision 8, is amended to read:

Subd. 8. [APPROPRIATION.] ~~(a)~~ An amount sufficient to pay the aids and credits provided under this section for school districts, intermediate school districts, or any group of school districts levying as a single taxing entity, is annually appropriated from the general fund to the commissioner of children, families, and learning. An amount sufficient to pay the aids and credits provided under this section for counties, cities, towns, and special taxing districts is annually appropriated from the general fund to the commissioner of revenue. A jurisdiction's aid amount may be increased or decreased based on any prior year adjustments for homestead credit or other property tax credit or aid programs.

~~(b) The commissioner of finance shall bill the commissioner of revenue for the cost of preparation of local impact notes as required by section 3.987 only to the extent to which those costs exceed those costs incurred in fiscal year 1997 and for any other new costs attributable to the local impact note function required by section 3.987, not to exceed \$100,000 in fiscal years 1998 and 1999 and \$200,000 in fiscal year 2000 and thereafter.~~

~~The commissioner of revenue shall deduct the amount billed under this paragraph from aid payments to be made to cities and counties under subdivision 2 on a pro rata basis. The amount deducted under this paragraph is appropriated to the commissioner of finance for the preparation of local impact notes.~~

[EFFECTIVE DATE.] This section is effective for aid payable in 2004 and thereafter.

Sec. 5. [477A.0124] [COUNTY PROGRAM AID.]

Subdivision 1. [CALENDAR YEAR 2004.] In 2004, each county shall receive program aid in an amount equal to the sum of:

(1) the amount of county attached machinery aid computed for the county for payment in 2003 under section 273.138 prior to any reduction under laws enacted in 2003;

(2) the amount of county homestead and agricultural credit aid computed for the county for payment in 2003 under section 273.1398, subdivision 2, prior to any reduction under laws enacted in 2003, minus the amount certified under section 273.1398, subdivision 4a, paragraph (b), for counties in judicial districts one, three, six, and ten, and by 25 percent of the amount certified under section 273.1398, subdivision 4a, paragraph (b), for counties located in judicial districts two and four;

(3) the amount of county manufactured home homestead and agricultural credit aid computed for the county for payment in 2003 under section 273.166 prior to any reduction under laws enacted in 2003;

(4) the amount of county criminal justice aid computed for the county for payment in 2003 under section 477A.0121 prior to any reduction under laws enacted in 2003; and

(5) the amount of county family preservation aid computed for the county for payment in 2003 under section 477A.0122 prior to any reduction under laws enacted in 2003.

Subd. 2. [DEFINITIONS.] (a) For the purposes of this section, the following terms have the meanings given them.

(b) "County program aid" means the sum of "county need aid," "county tax base equalization aid," and "county transition aid."

(c) "Age-adjusted population" means a county's population multiplied by the county age index.

(d) "County age index" means the percentage of the population over age 65 within the county divided by the percentage of the population over age 65 within the state, except that the age index for any county may not be greater than 1.8 nor less than 0.8.

(e) "Population over age 65" means the population over age 65 established as of July 1 in an aid calculation year by the most recent federal census, by a special census conducted under contract with the United States Bureau of the Census, by a population estimate made by the metropolitan council, or by a population estimate of the state demographer made pursuant to section 4A.02, whichever is the most recent as to the stated date of the count or estimate for the preceding calendar year.

(f) "Part I crimes" means the three-year average annual number of Part I crimes reported for each county by the department of public safety for the most recent years available. By July 1 of each year, the commissioner of public safety shall certify to the commissioner of revenue the number of Part I crimes reported for each county for the three most recent calendar years available.

(g) "Households receiving food stamps" means the average monthly number of households receiving food stamps for the three most recent years for which data is available. By July 1 of each year, the commissioner of human services must certify to the commissioner of revenue the average monthly number of households in the state and in each county that receive food stamps, for the three most recent calendar years available.

(h) "County net tax capacity" means the net tax capacity of the county, computed analogously to city net tax capacity under section 477A.011, subdivision 20.

Subd. 3. [COUNTY NEED AID.] For 2005 and subsequent years, the money appropriated to county need aid each calendar year shall be allocated as follows: 40 percent based on each county's share of age-adjusted population, 40 percent based on each county's share of the state total of households receiving food stamps, and 20 percent based on each county's share of the state total of Part I crimes.

Subd. 4. [COUNTY TAX-BASE EQUALIZATION AID.] (a) For 2005 and subsequent years, the money appropriated to county tax-base equalization aid each calendar year shall be apportioned among the counties according to each county's tax-base equalization aid factor.

(b) A county's tax-base equalization aid factor is equal to the amount by which (i) \$185 times the county's population, exceeds (ii) 9.45 percent of the county's net tax capacity.

(c) In the case of a county with a population less than 10,000, the factor determined in paragraph (b) shall be multiplied by a factor of three.

(d) In the case of a county with a population greater than or equal to 10,000, but less than 12,500, the factor determined in paragraph (b) shall be multiplied by a factor of two.

(e) In the case of a county with a population greater than 500,000, the factor determined in paragraph (b) shall be multiplied by a factor of 0.25.

Subd. 5. [COUNTY TRANSITION AID.] (a) For 2005, a county is eligible for transition aid equal to the amount, if any, by which:

(1) the difference between:

(i) the aid the county received under subdivision 1 in 2004, divided by the total aid paid to all counties under subdivision 1, multiplied by \$205,000,000; and

(ii) the amount of aid the county is certified to receive in 2005 under subdivisions 3 and 4;

exceeds:

(2) three percent of the county's adjusted net tax capacity.

A county's aid under this paragraph may not be less than zero.

(b) In 2006, a county is eligible to receive two-thirds of the transition aid it received in 2005.

(c) In 2007, a county is eligible to receive one-third of the transition aid it received in 2005.

(d) No county shall receive aid under this subdivision after 2007.

[EFFECTIVE DATE.] This section is effective for aids payable in 2004 and subsequent years.

Sec. 6. Minnesota Statutes 2002, section 477A.03, is amended by adding a subdivision to read:

Subd. 2b. [COUNTIES.] (a) For aids payable in calendar year 2005 and thereafter, the total aids paid to counties under section 477A.0124, subdivision 3, are limited to \$100,500,000. Each calendar year, \$500,000 shall be retained by the commissioner of revenue to make reimbursements to the commissioner of finance for payments made under section 611.27. For calendar year 2004, the amount shall be in addition to the payments authorized under section 477A.0124, subdivision 1. For calendar year 2005 and subsequent years, the amount shall be deducted from the appropriation under this paragraph. The reimbursements shall be to defray the additional costs associated with court-ordered counsel under section 611.27. Any retained amounts not used for reimbursement in a year shall be included in the next distribution of county need aid that is certified to the county auditors for the purpose of property tax reduction for the next taxes payable year.

(b) For aids payable in 2005 and thereafter, the total aids under section 477A.0124, subdivision 4, are limited to \$105,000,000. The commissioner of finance shall bill the commissioner of revenue for the cost of preparation of local impact notes as required by section 3.987, not to exceed \$207,000 in fiscal year 2004 and thereafter. The commissioner of children, families, and learning shall bill the commissioner of revenue for the cost of preparation of local impact notes for school districts as required by section 3.987, not to exceed \$7,000 in fiscal year 2004 and thereafter. The commissioner of revenue shall deduct the amounts billed under this paragraph from the appropriation under this paragraph. The amounts deducted are appropriated to the commissioner of finance and the commissioner of children, families, and learning for the preparation of local impact notes.

**[EFFECTIVE DATE.]** This section is effective for aid payable in 2004 and thereafter.

Sec. 7. Minnesota Statutes 2002, section 611.27, subdivision 13, is amended to read:

Subd. 13. [PUBLIC DEFENSE SERVICES; CORRECTIONAL FACILITY INMATES.] All billings for services rendered and ordered under subdivision 7 shall require the approval of the chief district public defender before being forwarded on a monthly basis to the state public defender. In cases where adequate representation cannot be provided by the district public defender and where counsel has been appointed under a court order, the state public defender shall forward to the commissioner of finance all billings for services rendered under the court order. The commissioner shall pay for services from county criminal justice aid retained by the commissioner of revenue for that purpose under section 477A.0121, subdivision 4, or from county program aid retained by the commissioner of revenue for that purpose under section 477A.0124, subdivision 1, clause (4), or 477A.03, subdivision 2, paragraph (c).

The costs of appointed counsel and associated services in cases arising from new criminal charges brought against indigent inmates who are incarcerated in a Minnesota state correctional facility are the responsibility of the state board of public defense. In such cases the state public defender may follow the procedures outlined in this section for obtaining court-ordered counsel.

**[EFFECTIVE DATE.]** This section is effective for payments in 2004 and subsequent years.

Sec. 8. Minnesota Statutes 2002, section 611.27, subdivision 15, is amended to read:

Subd. 15. [COSTS OF TRANSCRIPTS.] In appeal cases and postconviction cases where the state public defender's office does not have sufficient funds to pay for transcripts and other necessary expenses because it has spent or committed all of the transcript funds in its annual budget, the state public defender may forward to the commissioner of finance all billings for transcripts and other necessary expenses. The commissioner shall pay for these transcripts and other necessary expenses from county criminal justice aid retained by the commissioner of revenue under section 477A.0121, subdivision 4, or from county program aid retained by the commissioner of revenue for that purpose under section 477A.0124, subdivision 1, clause (4), or 477A.03, subdivision 2, paragraph (c).

**[EFFECTIVE DATE.]** This section is effective for payments in 2004 and subsequent years.

Sec. 9. [DEFINITIONS.]

(a) For purposes of sections 9 to 15, the following terms have the meanings given them in this section.

(b) The 2003 and 2004 "levy plus aid revenue base" for a county is the sum of that county's certified property tax levy for taxes payable in 2003, plus the sum of the amounts the county was certified to receive in the designated calendar year as:

(1) homestead and agricultural credit aid under Minnesota Statutes, section 273.1398, subdivision 2, plus any additional aid under section 16, minus the amount calculated under section 273.1398, subdivision 4a, paragraph (b), for counties in judicial districts one, three, six, and ten, and 25 percent of the amount calculated under section 273.1398, subdivision 4a, paragraph (b), for counties in judicial districts two and four;

(2) the amount of county manufactured home homestead and agricultural credit aid computed for the county for payment in 2003 under section 273.166;

(3) criminal justice aid under Minnesota Statutes, section 477A.0121;

(4) family preservation aid under Minnesota Statutes, section 477A.0122;

(5) taconite aids under Minnesota Statutes, sections 298.28 and 298.282, including any aid which was required to be placed in a special fund for expenditure in the next succeeding year; and

(6) county program aid under section 477A.0124.

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

Sec. 10. [2003 COUNTY AID REDUCTIONS.]

The commissioner of revenue shall compute an aid reduction amount for each county for 2003 equal to 3.21 percent of the county's levy plus aid revenue base for 2003.

The reduction is limited to the sum of the county's payable 2003 distributions pursuant to Minnesota Statutes, sections 273.138; 273.1384; 273.1398, subdivision 2; 273.166; 477A.0121; and 477A.0122.

The aid reduction is applied first to reduce the county's 2003 distribution pursuant to Minnesota Statutes, section 273.138, then to reduce, in this sequence, the aid payable in 2003 under Minnesota Statutes, sections 273.1398, subdivision 2; 273.166; 477A.0121; and 477A.0122. Then, if necessary, the county's reimbursements pursuant to Minnesota Statutes, section 273.1384, are to be reduced.

To the extent that sufficient information is available on each successive payment date within the year, the commissioner of revenue shall pay any remaining 2003 distribution or reimbursement amount reduced under this section in equal installments on the payment dates provided in law.

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

Sec. 11. [2003 TOWNSHIP AID REDUCTIONS.]

The commissioner of revenue shall compute an aid reduction amount for each township for 2003 equal to two percent of the town's certified levy for taxes payable in 2003.

The reduction is limited to the amount of the town's payable 2003 reimbursement pursuant to Minnesota Statutes, section 273.1384.

To the extent that sufficient information is available on each successive payment date within the year, the commissioner of revenue shall pay any remaining 2003 reimbursement amount for the town in equal installments on the payment dates provided in law.

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

Sec. 12. [2003 SPECIAL TAXING DISTRICT AID REDUCTIONS.]

The commissioner of revenue shall compute an aid reduction amount for each special taxing district for 2003 equal to 1.5 percent of the district's certified levy for taxes payable in 2003.

The reduction is limited to the amount of the district's payable 2003 reimbursement pursuant to Minnesota Statutes, section 237.1384.

To the extent that sufficient information is available on each successive payment date within the year, the commissioner of revenue shall pay any remaining 2003 reimbursement amount for the district in equal installments on the payment dates provided in law.

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

Sec. 13. [2004 COUNTY AID REDUCTIONS.]

The commissioner of revenue shall compute an aid reduction amount for 2004 for each county as provided in this section.

The commissioner of revenue shall compute an aid reduction amount for each county for 2004 equal to 5.689 percent of the county's levy plus aid revenue base for 2004.

The reduction is further limited to the sum of the county's payable 2004 distributions under Minnesota Statutes, sections 477A.0124 and 273.1384.

The aid reduction is applied first to the county's distributions pursuant to Minnesota Statutes, section 477A.0124, and then, if necessary, to reduce the county's reimbursements pursuant to Minnesota Statutes, section 273.1384.

To the extent that sufficient information is available on each payment date in 2004, the commissioner of revenue shall pay any remaining 2004 distribution or reimbursement amount reduced under this section in equal installments on the payment dates provided in law.

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

Sec. 14. [2004 TOWNSHIP AID REDUCTIONS.]

The commissioner of revenue shall compute an aid reduction amount for each township for 2004 equal to three percent of the town's certified levy for taxes payable in 2003.

The reduction is limited to the amount of the town's payable 2004 reimbursement pursuant to Minnesota Statutes, section 273.1384.

To the extent that sufficient information is available on each successive payment date within the year, the commissioner of revenue shall pay any remaining 2004 reimbursement amount for the town in equal installments on the payment dates provided in law.

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

Sec. 15. [2004 SPECIAL TAXING DISTRICT AID REDUCTIONS.]

The commissioner of revenue shall compute an aid reduction amount for each special taxing district for 2004 equal to two percent of the district's certified levy for taxes payable in 2003.

The reduction is limited to the amount of the district's payable 2004 reimbursement pursuant to Minnesota Statutes, section 273.1384.

To the extent that sufficient information is available on each successive payment date within the year, the commissioner of revenue shall pay any remaining 2004 reimbursement amount for the district in equal installments on the payment dates provided in law.

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

Sec. 16. [HACA ADJUSTMENT; COURT TAKEOVER ERROR.]

In calendar years 2003 and 2004, any county whose 2002 aid reduction, related to the state assumption of funding for mandated court services, was based on costs not assumed by the state shall receive the following aid adjustments:

(1) in calendar year 2003, a permanent increase of \$50,000 in its aid payment under Minnesota Statutes, section 273.1398, subdivision 2, above its certified 2003 aid amount; and

(2) in calendar year 2004, a permanent increase of an additional \$50,000 in its county program aid payment under Minnesota Statutes, section 477A.0124, subdivision 1, clause (2).

**[EFFECTIVE DATE.]** This section is effective for aids payable in 2003 and 2004.

Sec. 17. [REPEALER.]

(a) Minnesota Statutes 2002, sections 273.138, subdivision 2, and the parts of subdivisions 5 and 7 relating to counties; 273.1398, subdivisions 2, 2c, 4, and 4d; 273.166; 477A.0121; 477A.0122; 477A.0123; 477A.0132; 477A.03, subdivision 3; and 477A.07, are repealed effective for aid payable in 2004 and thereafter.

(b) Minnesota Statutes 2002, section 273.138, subdivisions 3 and 6, and the parts of subdivisions 5 and 7 relating to school districts are repealed effective for calendar year 2003.

## ARTICLE 7

### LEVY LIMITS

Section 1. Minnesota Statutes 2002, 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 did not exist prior to 2002;

(7) to pay the expenses reasonably and necessarily incurred in preparing for or repairing the effects of natural disaster including the occurrence or threat of widespread or severe damage, injury, or loss of life or property resulting from natural causes, in accordance with standards formulated by the emergency services division of the state department of public safety, as allowed by the commissioner of revenue under section 275.74, subdivision 2;

(8) pay amounts required to correct an error in the levy certified to the county auditor by a city or county in a levy year, but only to the extent that when added to the preceding year's levy it is not in excess of an applicable statutory, special law or charter limitation, or the limitation imposed on the governmental subdivision by sections 275.70 to 275.74 in the preceding levy year;

(9) to pay an abatement under section 469.1815;

(10) to pay any costs attributable to increases in the employer contribution rates under chapter 353 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, except to pay operating or maintenance costs of a new regional jail facility under sections 641.262 to 641.264 which will not replace an existing jail facility, any amount levied by the county in the previous levy year for the purposes specified under this clause and included in the county's previous year's levy limitation computed under section 275.71, shall be deducted from the levy limit base under section 275.71, subdivision 2, when determining the county's current year levy limitation. The county shall provide the necessary information to the commissioner of revenue for making this determination;

(12) to pay for operation of a lake improvement district, as authorized under section 103B.555. If the county utilizes this special levy, any amount levied by the county in the previous levy year for the purposes specified under this clause and included in the county's previous year's levy limitation computed under section 275.71 shall be deducted from the levy limit base under section 275.71, subdivision 2, when determining the county's current year levy limitation. The county shall provide the necessary information to the commissioner of revenue for making this determination;

(13) to repay a state or federal loan used to fund the direct or indirect required spending by the local government due to a state or federal transportation project or other state or federal capital project. This authority may only be used if the project is not a local government initiative;

~~(14) 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;~~

~~(15) to pay for court administration costs as required under section 273.1398, subdivision 4b, less the (i) county's share of transferred fines and fees collected by the district courts in the county for calendar year 2001 and (ii) the aid amount certified to be paid to the county in 2004 under section 273.1398, subdivision 4c; however, for taxes levied to pay for these costs in the year in which the court financing is transferred to the state, the amount under this section clause is limited to one third of the aid reduction the amount of aid the county is certified to receive under section 273.1398, subdivision 4a; and~~

~~(16) (15) to fund a police or firefighters relief association as required under section 69.77 to the extent that the required amount exceeds the amount levied for this purpose in 2001.~~

**[EFFECTIVE DATE.]** This section is effective for taxes payable in 2004 and thereafter.

Sec. 2. Minnesota Statutes 2002, 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).~~

~~(e) The levy limit base for a local governmental unit for taxes levied in 2002 2003 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, plus any aid amounts received in 2003 under section 273.138 or 273.166, minus the difference between its levy limit under subdivision 5 for taxes levied in 2002 and the amount it actually levied under that subdivision in that year, and (3) certified property tax replacement aid payable in 2003 under section 174.242.~~

**[EFFECTIVE DATE.]** This section is effective for taxes levied in 2003.

Sec. 3. Minnesota Statutes 2002, section 275.71, subdivision 4, is amended to read:

Subd. 4. [ADJUSTED LEVY LIMIT BASE.] (a) For taxes levied in ~~2001 and 2002~~ 2003, the adjusted levy limit base is equal to the levy limit base computed under subdivisions 2 and 3 or section 275.72, ~~multiplied~~ reduced by:

~~(1) one plus a percentage equal to the percentage growth in the implicit price deflator;~~

~~(2) one plus a percentage equal to the percentage increase in number of households, if any, for the most recent 12-month period for which data is available; and~~

~~(3) one plus a percentage equal to 50 percent of the percentage increase in the taxable market value of the jurisdiction due to new construction of class 3 property, as defined in section 273.13, subdivision 24, except for state assessed utility and railroad operating property, for the most recent year for which data is available 40 percent of the difference between (1) the sum of 2003 certified aid payments, under sections 273.138, 273.1398 except for amounts certified under subdivision 4a, paragraph (b), 273.166, 477A.011 to 477A.03, 477A.06, and 477A.07, before any reduction under articles 5 and 6, and (2) the sum of the aids paid in 2004 under those same sections, after any reductions in 2004 under articles 5 and 6.~~

~~(b) For counties only, for taxes levied in 2001 and 2002, the adjusted levy limit base is also reduced by any amount of levy reduction required under section 275.07, subdivision 1, paragraph (b), clause (ii). For taxes levied in 2003 only, the adjusted levy limit base is increased by 60 percent of the difference between a jurisdiction's market value credit in 2003 before any reductions under articles 5 and 6, and its market value credit in 2004 after reductions in articles 5 and 6.~~

**[EFFECTIVE DATE.]** This section is effective for taxes payable in 2004.

Sec. 4. Minnesota Statutes 2002, section 275.71, subdivision 5, is amended to read:

Subd. 5. [PROPERTY TAX LEVY LIMIT.] ~~Notwithstanding any other provision of a municipal charter which limits ad valorem taxes to a lesser amount, or which would require a separate voter approval for any increase, For taxes levied in 2001 and 2002~~ 2003, the property tax levy limit for a local governmental unit is equal to its adjusted levy limit base determined under subdivision 4 plus any additional levy authorized under section 275.73, which is levied against net tax capacity, reduced by the sum of (i) the total amount of aids and reimbursements that the local governmental unit is certified to receive under sections 477A.011 to 477A.014, except for the increases in city aid bases in calendar year 2002 under section 477A.011, subdivision 36, paragraphs ~~(n), (p), and (q)~~ (l), (n), and (o), (ii) homestead and agricultural aids it is certified to receive under section 273.1398, (iii) taconite aids under sections 298.28 and 298.282 including any aid which was required to be placed in a special fund for expenditure in the next succeeding year, (iv) ~~low income housing aid under sections 477A.06 and 477A.065 temporary court aid under section 273.1398, subdivision 4a, and (v) property tax replacement aids under section 174.242~~ estimated payments to the local governmental unit under section 272.029, adjusted for any error in estimation in the preceding year.

**[EFFECTIVE DATE.]** This section is effective for taxes payable in 2004.

Sec. 5. Minnesota Statutes 2002, 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 payable in 2004.

Sec. 6. Minnesota Statutes 2002, section 275.72, subdivision 3, is amended to read:

Subd. 3. [ADJUSTMENTS FOR CHANGES IN SERVICE LEVELS.] If a local governmental unit, as a result of an annexation agreement ~~prior to January 1, 1999~~, has different tax rates in various parts of the jurisdiction due to different service levels, it may petition the commissioner of revenue to adjust its levy limits established under section 275.71. The commissioner shall adjust the levy limits to reflect scheduled changes in tax rates related to increasing service levels in areas currently receiving less city services. The local governmental unit shall provide the commissioner with any information the commissioner deems necessary in making the levy limit adjustment.

**[EFFECTIVE DATE.]** This section is effective for taxes levied in 2003, payable in 2004.

Sec. 7. Minnesota Statutes 2002, section 275.73, subdivision 2, is amended to read:

Subd. 2. [LEVY EFFECTIVE DATE.] An additional levy approved under subdivision 1 at a general or special election held ~~prior to September 1~~ on or before the first Tuesday after the first Monday in November in any levy year may be levied in that same levy year and subsequent levy years. An additional levy approved under subdivision 1 at a general or special election held after ~~August 31~~ the first Tuesday after the first Monday in November in any levy year shall not be levied in that same levy but may be levied in subsequent levy years.

**[EFFECTIVE DATE.]** This section is effective for taxes payable in 2004.

Sec. 8. Minnesota Statutes 2002, section 275.74, subdivision 3, is amended to read:

Subd. 3. [INFORMATION NECESSARY TO CALCULATE ~~THE 2004~~ LEVY LIMIT BASE.] A local governmental unit must provide the commissioner with the information required to calculate the ~~alternative 2004~~ levy limit base amount under section 275.71, subdivision 2, ~~paragraph (a), clause (2),~~ by July 20, ~~2004~~ of the levy year. If the information is not received by the commissioner by that date, or is not deemed sufficient to make the calculation under that clause, the commissioner has the discretion to set the local governmental unit's ~~2004~~ levy limit for all purposes including those purposes for which special levies may be made, base equal to the amount ~~calculated under section 275.71, subdivision 2, paragraph (a), clause (1) of the local governmental unit's certified levy for the prior year.~~

**[EFFECTIVE DATE.]** This section is effective for taxes payable in 2004.

## ARTICLE 8

### SALES AND USE TAX

Section 1. Minnesota Statutes 2002, section 289A.20, subdivision 4, is amended to read:

Subd. 4. [SALES AND USE TAX.] (a) The taxes imposed by chapter 297A are due and payable to the commissioner monthly on or before the 20th day of the month following the month in which the taxable event occurred, or following another reporting period as the commissioner prescribes or as allowed under section 289A.18, subdivision 4, paragraph (f) or (g), except that use taxes due on an annual use tax return as provided under section 289A.11, subdivision 1, are payable by April 15 following the close of the calendar year.

(b) ~~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 ~~75~~ 85 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 ~~75~~ 85 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, paragraph (a), is effective for sales and purchases made on or after January 1, 2004. The rest of this section is effective for payments made after December 31, 2003.

Sec. 2. Minnesota Statutes 2002, section 289A.31, subdivision 7, is amended to read:

Subd. 7. [SALES AND USE TAX.] (a) The sales and use tax required to be collected by the retailer under chapter 297A constitutes a debt owed by the retailer to Minnesota, and the sums collected must be held as a special fund in trust for the state of Minnesota.

A retailer who does not maintain a place of business within this state as defined by section 297A.66, subdivision 1, shall not be indebted to Minnesota for amounts of tax that it was required to collect but did not collect unless the retailer knew or had been advised by the commissioner of its obligation to collect the tax.

(b) The use tax required to be paid by a purchaser is a debt owed by the purchaser to Minnesota.

(c) The tax imposed by chapter 297A, and interest and penalties, is a personal debt of the individual required to file a return from the time the liability arises, irrespective of when the time for payment of that liability occurs. The debt is, in the case of the executor or administrator of the estate of a decedent and in the case of a fiduciary, that of the individual in an official or fiduciary capacity unless the individual has voluntarily distributed the assets held in that capacity without reserving sufficient assets to pay the tax, interest, and penalties, in which case the individual is personally liable for the deficiency.

(d) Liability for payment of sales and use taxes includes any responsible person or entity described in the personal liability provisions of section 270.101.

(e) Any amounts collected, even if erroneously or illegally collected, from a purchaser under a representation that they are taxes imposed under chapter 297A are state funds from the time of collection and must be reported on a return filed with the commissioner.

~~(f) The tax imposed under chapter 297A on sales of tickets to the premises of or events sponsored by the state agricultural society and conducted on the state fairgrounds during the period of the annual state fair may be retained by the state agricultural society if the funds are used and matched as required under section 37.13, subdivision 2.~~

**[EFFECTIVE DATE.]** This section is effective for sales taxes collected on sales occurring after June 30, 2003.

Sec. 3. Minnesota Statutes 2002, section 289A.60, subdivision 15, as amended by Laws 2003, chapter 127, article 6, section 2, if enacted, is amended to read:

Subd. 15. [ACCELERATED PAYMENT OF JUNE SALES TAX LIABILITY; PENALTY FOR UNDERPAYMENT.] (a) For payments made after December 31, 2002, and before January 1, 2004, if a vendor is required by law to submit an estimation of June sales tax liabilities and 75 percent payment by a certain date, the vendor shall pay a penalty equal to ten percent of the amount of actual June liability required to be paid in June less the amount remitted in June. The penalty must not be imposed, however, if the amount remitted in June equals the lesser of 75 percent of the preceding May's liability or 75 percent of the average monthly liability for the previous calendar year.

(b) For payments made after December 31, 2003, if a vendor is required by law to submit an estimation of June sales tax liabilities and 85 percent payment by a certain date, the vendor shall pay a penalty equal to ten percent of the amount of actual June liability required to be paid in June less the amount remitted in June. The penalty must not be imposed, however, if the amount remitted in June equals the lesser of 85 percent of the preceding May's liability or 85 percent of the average monthly liability for the previous calendar year.

**[EFFECTIVE DATE.]** Paragraph (a) of this section is effective for payments made after December 31, 2002, and before January 1, 2004. Paragraph (b) of this section is effective for payments made after December 31, 2003.

Sec. 4. Minnesota Statutes 2002, section 297A.70, subdivision 8, is amended to read:

Subd. 8. [REGIONWIDE PUBLIC SAFETY RADIO COMMUNICATION SYSTEM; PRODUCTS AND SERVICES.] Products and services including, but not limited to, end user equipment used for construction, ownership, operation, maintenance, and enhancement of the backbone system of the regionwide public safety radio

communication system established under sections 473.891 to 473.905, are exempt. For purposes of this subdivision, backbone system is defined in section 473.891, subdivision 9. This subdivision is effective for purchases, sales, storage, use, or consumption occurring before August 1, ~~2003~~ 2005, in the counties of Anoka, Carver, Dakota, Hennepin, Ramsey, Scott, and Washington.

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

Sec. 5. Minnesota Statutes 2002, 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~~ whose primary mission is to provide an opportunity for citizens of the state to participate in the creation, performance, or appreciation of the arts, and provided that each organization is:

(1) an organization described in section 501(c)(3) of the Internal Revenue Code in which voluntary contributions make up at least 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;

(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.

Sec. 6. Minnesota Statutes 2002, section 297A.70, subdivision 14, is amended to read:

Subd. 14. [FUND-RAISING EVENTS SPONSORED BY NONPROFIT GROUPS.] (a) Sales of tangible personal property at, and admission charges for fund-raising events sponsored by, a nonprofit organization are exempt if:

(1) all gross receipts are recorded as such, in accordance with generally accepted accounting practices, on the books of the nonprofit organization; and

(2) the entire proceeds, less the necessary expenses for the event, will be used solely and exclusively for charitable, religious, or educational purposes. Exempt sales include the sale of food, meals, and drinks at the fund-raising event.

(b) This exemption is limited in the following manner:

(1) it does not apply to admission charges for events involving bingo or other gambling activities or to charges for use of amusement devices involving bingo or other gambling activities;

(2) all gross receipts are taxable if the profits are not used solely and exclusively for charitable, religious, or educational purposes;

(3) it does not apply unless the organization keeps a separate accounting record, including receipts and disbursements from each fund-raising event that documents all deductions from gross receipts with receipts and other records;

(4) it does not apply to any sale made by or in the name of a nonprofit corporation as the active or passive agent of a person that is not a nonprofit corporation;

(5) all gross receipts are taxable if fund-raising events exceed 24 days per year; ~~and~~

(6) it does not apply to fund-raising events conducted on premises leased for more than five days but less than 30 days; ~~and~~

(7) it does not apply if the risk of the event is not borne by the nonprofit organization and the benefit to the nonprofit organization is less than the total amount of the state and local tax revenues foregone by this exemption.

(c) For purposes of this subdivision, a "nonprofit organization" means any unit of government, corporation, society, association, foundation, or institution organized and operated for charitable, religious, educational, civic, fraternal, and senior citizens' or veterans' purposes, no part of the net earnings of which inures to the benefit of a private individual.

Sec. 7. Minnesota Statutes 2002, section 297A.70, subdivision 16, is amended to read:

Subd. 16. [CAMP FEES.] ~~Camp~~ Fees to camps or other recreation facilities are exempt for:

(1) services primarily for children, adults accompanying children, or persons with disabilities; or

(2) educational or religious activities;

and the camp or facilities are owned and operated by an exempt organization under section 501(c)(3) of the Internal Revenue Code are exempt if the camps or facilities provide educational and social activities for young people primarily age 18 and under.

Sec. 8. Minnesota Statutes 2002, section 297A.71, is amended by adding a subdivision to read:

Subd. 35. [WALKER ART CENTER.] Materials, equipment, and supplies used or consumed in construction of the Walker Art Center are exempt if more than \$70,000,000 is raised from private sources to pay for a portion of the costs of the project.

[EFFECTIVE DATE.] This section is effective for purchases made on or after June 1, 2003.



Sec. 9. Laws 1980, chapter 511, section 1, subdivision 2, as amended by Laws 1991, chapter 291, article 8, section 22, and Laws 1998, chapter 389, article 8, section 25, is amended to read:

Subd. 2. Notwithstanding Minnesota Statutes, Section 477A.016, or any other law, ordinance, or city charter provision to the contrary, the city of Duluth may, by ordinance, impose an additional sales tax of up to one and one-half percent on sales transactions which are described in Minnesota Statutes 2000, Section 297A.01, Subdivision 3, Clause (c). When the city council determines that the taxes imposed under this subdivision and under section 26 at a rate of one-half of one percent have produced revenue sufficient to pay (1) the debt service on bonds in a principal amount of \$8,000,000 issued for capital improvements to the Duluth Entertainment and Convention Center, and (2) debt service on outstanding bonds originally issued in the principal amount of \$4,970,000 to finance capital improvements to the Great Lakes Aquarium since the imposition of the taxes at the rate of one and one-half percent, the rate of the tax under this subdivision is reduced to one percent. The imposition of this tax shall not be subject to voter referendum under either state law or city charter provisions.

**[EFFECTIVE DATE.]** This section is effective the day after the governing body of the city of Duluth and its chief clerical officer comply with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

Sec. 10. Laws 1980, chapter 511, section 2, as amended by Laws 1998, chapter 389, article 8, section 26, is amended to read:

Sec. 2. [CITY OF DULUTH; TAX ON RECEIPTS BY HOTELS AND MOTELS.]

Notwithstanding Minnesota Statutes, Section 477A.016, or any other law, or ordinance, or city charter provision to the contrary, the city of Duluth may, by ordinance, impose an additional tax of one and one-half percent upon the gross receipts from the sale of lodging for periods of less than 30 days in hotels and motels located in the city. When the city council determines that the taxes imposed under this section and section 25 at a rate of one-half of one percent have produced revenue sufficient to pay (1) the debt service on bonds in a principal amount of \$8,000,000 issued for capital improvements for the Duluth Entertainment and Convention Center, and (2) the debt service on outstanding bonds originally issued in the principal amount of \$4,970,000 to finance capital improvements to the Great Lakes Aquarium since the imposition of the taxes at the rate of one and one-half percent, the rate of the tax under this section is reduced to one percent. The tax shall be collected in the same manner as the tax set forth in the Duluth city charter, section 54(d), paragraph one. The imposition of this tax shall not be subject to voter referendum under either state law or city charter provisions.

**[EFFECTIVE DATE.]** This section is effective the day after the governing body of the city of Duluth and its chief clerical officer comply with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

Sec. 11. Laws 1993, chapter 375, article 9, section 46, subdivision 2, as amended by Laws 1997, chapter 231, article 7, section 40, and Laws 1998, chapter 389, article 8, section 30, is amended to read:

Subd. 2. [USE OF REVENUES.] Revenues received from the tax authorized by subdivision 1 may only be used by the city to pay the cost of collecting the tax, and to pay for the following projects or to secure or pay any principal, premium, or interest on bonds issued in accordance with subdivision 3 for the following projects.

(a) To pay all or a portion of the capital expenses of construction, equipment and acquisition costs for the expansion and remodeling of the St. Paul Civic Center complex, including the demolition of the existing arena and the construction and equipping of a new arena.

(b) The remainder of the funds must be spent for:

(1) capital projects to further residential, cultural, commercial, and economic development in both downtown St. Paul and St. Paul neighborhoods. ~~The amount apportioned under this paragraph shall be no less than 60 percent of the revenues derived from the tax each year, except to the extent that a portion of that amount is required to pay debt service on (1) bonds issued for the purposes of paragraph (a) prior to March 1, 1998; or (2) bonds issued for the purposes of paragraph (a) after March 1, 1998, but only if the city council determines that 40 percent of the revenues derived from the tax together with other revenues pledged to the payment of the bonds, including the proceeds of definitive bonds, is expected to exceed the annual debt service on the bonds; and~~

(2) ~~the capital and~~ operating expenses of cultural organizations in the city, provided that the amount spent under this clause ~~may not exceed~~ must equal ten percent of the total amount spent under this paragraph in any year.

(c) The amount apportioned under paragraph (b) shall be no less than 60 percent of the revenues derived from the tax each year, except to the extent that a portion of that amount is required to pay debt service on (1) bonds issued for the purposes of paragraph (a) prior to March 1, 1998; or (2) bonds issued for the purposes of paragraph (a) after March 1, 1998, but only if the city council determines that 40 percent of the revenues derived from the tax together with other revenues pledged to the payment of the bonds, including the proceeds of definitive bonds, is expected to exceed the annual debt service on the bonds.

(d) If in any year more than 40 percent of the revenue derived from the tax authorized by subdivision 1 is used to pay debt service on the bonds issued for the purposes of paragraph (a) and to fund a reserve for the bonds, the amount of the debt service payment that exceeds 40 percent of the revenue must be determined for that year. In any year when 40 percent of the revenue produced by the sales tax exceeds the amount required to pay debt service on the bonds and to fund a reserve for the bonds under paragraph (a), the amount of the excess must be made available for capital projects to further residential, cultural, commercial, and economic development in the neighborhoods and downtown until the cumulative amounts determined for all years under the preceding sentence have been made available under this sentence. The amount made available as reimbursement in the preceding sentence is not included in the 60 percent determined under paragraph ~~(b)~~ (c).

~~(d)~~ (e) By January 15 of each odd-numbered year, the mayor and the city council must report to the legislature on the use of sales tax revenues during the preceding two-year period.

**[EFFECTIVE DATE.]** This section is effective for distributions after April 30, 2003.

Sec. 12. Laws 1999, chapter 243, article 4, section 19, as amended by Laws 2001, First Special Session chapter 5, article 12, section 88, is amended to read:

Sec. 19. [EFFECTIVE DATES.]

Sections 1, 2, 5, 7, 9, and 11 are effective for sales and purchases made after June 30, 1999.

Section 3 is effective for amended returns and refund claims filed on or after July 1, 1999.

Section 4 is effective the day following final enactment and applies retroactively to all open tax years and to assessments and appeals under Minnesota Statutes, sections 289A.38 and 289A.65, for which the time limits have not expired on the date of final enactment of this act. The provisions of Minnesota Statutes, section 289A.50, apply to refunds claimed under section 4. Refunds claimed under section 4 must be filed by the later of December 31, 1999, or the time limit under Minnesota Statutes, section 289A.40, subdivision 1.

Section 6 is effective retroactively for sales and purchases made after June 30, 1998.

Section 8 is effective for purchases and sales made after the date of final enactment.

Section 10 is effective for purchases made after the date of final enactment and before July 1, ~~2003~~ 2005.

Section 12 is effective the day after final enactment. Section 12, paragraphs (a) to (c), apply to all local sales taxes enacted after July 1, 1999. Section 12, paragraph (d), applies to all local sales taxes in effect at the time of, or imposed after the day of, the enactment of this section.

Section 13 is effective the day following final enactment.

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

Sec. 13. Laws 2001, First Special Session chapter 5, article 12, section 95, as amended by Laws 2002, chapter 377, article 3, section 24, is amended to read:

Sec. 95. [REPEALER.]

(a) Minnesota Statutes 2000, sections 297A.61, subdivision 16; 297A.68, subdivision 21; and 297A.71, subdivision 2, 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, 2004.~~

(e) Minnesota Statutes 2000, section 297A.71, subdivision 16, is repealed effective for sales and purchases occurring after December 31, 2002.

Sec. 14. Laws 2002, chapter 377, article 3, section 15, the effective date, is amended to read:

**[EFFECTIVE DATE.]** This section is effective for sales made after August 31, 2002, and on or before December 31, ~~2003~~ 2004.

Sec. 15. [STATE CONVENTION CENTER.]

Subdivision 1. [EXEMPTION.] Building materials, supplies, or equipment used or consumed in constructing or equipping improvements to a state convention center located in a city outside the metropolitan area as defined in section 473.121, subdivision 2, and governed by an 11-person board of which four are appointed by the governor are exempt if the improvements are financed in whole or in part by nonstate resources including, but not limited to, revenue or general obligations issued by the state convention center board of the city in which the center is located. This exemption applies regardless of whether the items are purchased by the owner or by a contractor, subcontractor, or builder.

Subd. 2. [LEGISLATIVE INTENT.] This section is intended to clarify the original intent of Minnesota Statutes, section 297A.71, subdivision 2.

**[EFFECTIVE DATE.]** This section is effective the day following final enactment and applies retroactively to sales and purchases made after June 30, 1995, and before July 1, 2001.

## Sec. 16. [LODGING TAX; ITASCA COUNTY AUTHORITY.]

Notwithstanding Minnesota Statutes, section 469.190, subdivisions 1 and 4, no town located in Itasca county may impose the local lodging tax authorized in Minnesota Statutes, section 469.190, but the county of Itasca may impose the local lodging tax authorized in that section in all towns and unorganized territories within the county. Any existing taxes imposed by a town in that county will expire the day that a county tax is imposed under this section.

If the county board exercises the authority under this section, it must determine by resolution that imposition of the tax is in the county's interest. The resolution is subject to the same notice and reverse referendum requirements that would apply under Minnesota Statutes, section 469.190, subdivision 5, if the county was only imposing the tax in an unorganized territory. The provisions of Minnesota Statutes, section 469.190, subdivisions 2, 3, 6, and 7, also apply to a tax imposed under this section.

[EFFECTIVE DATE.] This section is effective the day after the governing body of Itasca county and its chief clerical officer comply with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

## Sec. 17. [STUDY OF LOCAL SALES TAX.]

(a) The commissioner of revenue shall study the local sales taxes in Minnesota and provide a written report and recommendations to the legislature, in compliance with Minnesota Statutes, sections 3.195 and 3.197, by February 1, 2004. The study must report on:

(1) the authorized uses of revenue from local sales taxes in effect, and the proposed uses of revenue from local sales taxes recently proposed but not enacted;

(2) the local approval requirements for local sales taxes;

(3) the duration of local sales taxes and whether the full duration authorized in law was necessary to provide sufficient revenue for the authorized uses of the local sales tax;

(4) if the authorized uses of the local sales tax revenues are regional in nature or limited in benefit to the jurisdiction in which the tax is imposed;

(5) the estimated portion of revenue raised through the local sales taxes that comes from (i) residents of the jurisdiction in which the tax is imposed; (ii) Minnesota residents who live outside the jurisdiction; and (iii) non-Minnesota residents;

(6) the ability of jurisdictions to raise revenue by other means, including the local property tax, and the extent to which the jurisdictions assess property taxes in comparison to other similar jurisdictions, and the state average, expressed in terms of levy as a percent of adjusted net tax capacity;

(7) how jurisdictions that do not impose local sales taxes raise revenue to fund projects similar to those funded through local sales taxes; and

(8) the compatibility of local sales taxes with the policies underlying the streamlined sales tax project.

(b) The study must make recommendations on:

(1) the appropriate role of local sales taxes as a part of Minnesota's state and local revenue system, including:

(i) the appropriate uses of local sales taxes; and

(ii) whether local sales taxes should be limited to jurisdictions that do not meet minimum thresholds of raising revenue through other means, including local property tax;

(2) criteria to be used in evaluating local sales tax proposals, designed to direct the use of local sales taxes toward:

(i) projects that are regional in nature;

(ii) projects that require capital expenditures; and

(iii) projects in jurisdictions with inadequate fiscal capacity to fund the projects through other means; and

(3) the feasibility of authorizing the commissioner of revenue to approve or deny local sales taxes proposals based on a uniform set of criteria, including the advisability of requiring local approval by referendum or revocation by reverse referendum, and if the referendum should be a criterion necessary for a proposal to be considered for authorization or should occur after authorization but as a condition of the tax being implemented.

Sec. 18. [REPEALER.]

(a) Minnesota Statutes 2002, section 37.13, subdivision 2, is repealed effective July 1, 2003, but the repealer does not apply to sales taxes retained on sales occurring before July 1, 2003.

(b) Minnesota Statutes 2002, section 325E.112, subdivision 2a, is repealed effective July 1, 2003.

## ARTICLE 9

### SPECIAL TAXES

Section 1. Minnesota Statutes 2002, section 62J.692, subdivision 4, 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 Centers for Medicare and Medicaid Services, may contract directly with training sites to provide clinical training. To ensure the quality of clinical training, those accredited sponsoring institutions must:

(1) develop contracts specifying the terms, expectations, and outcomes of the clinical training conducted at sites; and

(2) take necessary action if the contract requirements are not met. Action may include the withholding of payments under this section or the removal of students from the site.

(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 by June 30 of each year an amount equal to the funds transferred under ~~section 62J.694, subdivision 2a, paragraph (b)~~ subdivision 10, plus five percent interest 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)~~ instructional costs of health professional programs at the academic health center and for interdisciplinary academic initiatives within the academic health center.

(f) A maximum of \$150,000 of the funds dedicated to the commissioner under section 297F.10, subdivision 1, paragraph (b), clause (2), may be used by the commissioner for administrative expenses associated with implementing this section.

Sec. 2. Minnesota Statutes 2002, section 62J.692, is amended by adding a subdivision to read:

Subd. 10. [TRANSFERS FROM UNIVERSITY OF MINNESOTA.] Of the funds dedicated to the academic health center under section 297F.10, subdivision 1, paragraph (b), clause (1), \$4,850,000 shall be transferred annually to the commissioner of health no later than April 15 of each year for distribution under subdivision 4, paragraph (e).

Sec. 3. Minnesota Statutes 2002, 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:

(1) 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; or

(2) five percent of excise taxes collected by the state that are determined by the department of revenue to have been generated from activities on a reservation located in the county, the tribal government of which does not have a tax agreement under this section and did not have a tax agreement on June 30, 2003.

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) The commissioner shall make the payments required under this subdivision by February 28 of the year following the year the taxes are collected.

(c) An amount sufficient to make the payments authorized by this subdivision is annually appropriated from the general fund to the commissioner.

[EFFECTIVE DATE.] This section is effective for taxes collected after June 30, 2003.

Sec. 4. Minnesota Statutes 2002, section 287.12, is amended to read:

287.12 [TAXES, HOW APPORTIONED.]

(a) All taxes paid to the county treasurer under the provisions of sections 287.01 to 287.12 must be apportioned, 97 percent to the general fund of the state, and three percent to the county revenue fund.

(b) On or before the 20th day of each month the county treasurer shall determine and pay to the commissioner of revenue for deposit in the state treasury and credit to the general fund the state's portion of the receipts from the mortgage registry tax during the preceding month subject to the electronic payment requirements of section 270.771. The county treasurer shall provide any related reports requested by the commissioner of revenue.

(c) Counties must remit the state's portion of the June receipts collected through June 25 and the estimated state's portion of the receipts to be collected during the remainder of the month to the commissioner of revenue two business days before June 30 of each year. The remaining amount of the June receipts is due on August 20.

**[EFFECTIVE DATE.]** This section is effective January 1, 2004.

Sec. 5. Minnesota Statutes 2002, section 287.29, subdivision 1, is amended to read:

Subdivision 1. [APPOINTMENT AND PAYMENT OF TAX PROCEEDS.] (a) The proceeds of the taxes levied and collected under sections 287.21 to 287.39 must be apportioned, 97 percent to the general fund of the state, and three percent to the county revenue fund.

(b) On or before the 20th day of each month, the county treasurer shall determine and pay to the commissioner of revenue for deposit in the state treasury and credit to the general fund the state's portion of the receipts for deed tax from the preceding month subject to the electronic transfer requirements of section 270.771. The county treasurer shall provide any related reports requested by the commissioner of revenue.

(c) Counties must remit the state's portion of the June receipts collected through June 25 and the estimated state's portion of the receipts to be collected during the remainder of the month to the commissioner of revenue two business days before June 30 of each year. The remaining amount of the June receipts is due on August 20.

**[EFFECTIVE DATE.]** This section is effective January 1, 2004.

Sec. 6. Minnesota Statutes 2002, section 287.31, is amended by adding a subdivision to read:

Subd. 3. [UNDERPAYMENTS OF ACCELERATED PAYMENT OF JUNE TAX RECEIPTS.] If a county fails to timely remit the state portion of the actual June tax receipts at the time required by section 287.12 or 287.29, the county shall pay a penalty equal to ten percent of the state portion of actual June receipts less the amount remitted to the commissioner of revenue in June. The penalty must not be imposed, however, if the amount remitted in June equals either:

(1) 90 percent of the state's portion of the preceding May's receipts; or

(2) 90 percent of the average monthly amount of the state's portion for the previous calendar year.

**[EFFECTIVE DATE.]** This section is effective January 1, 2004.

Sec. 7. Minnesota Statutes 2002, section 297F.09, subdivision 1, is amended to read:

Subdivision 1. [MONTHLY RETURN; CIGARETTE DISTRIBUTOR.] On or before the 18th day of each calendar month, a distributor with a place of business in this state shall file a return with the commissioner showing the quantity of cigarettes manufactured or brought in from outside the state or purchased during the preceding calendar month and the quantity of cigarettes sold or otherwise disposed of in this state and outside this state during that month. A licensed distributor outside this state shall in like manner file a return showing the quantity of cigarettes shipped or transported into this state during the preceding calendar month. Returns must be made in the form and manner prescribed by the commissioner and must contain any other information required by the commissioner. The return must be accompanied by a remittance for the full unpaid tax liability shown by it. The return for the May liability and 85 percent of the estimated June liability is due on the date payment of the tax is due.

[EFFECTIVE DATE.] This section is effective January 1, 2004.

Sec. 8. Minnesota Statutes 2002, section 297F.09, subdivision 2, is amended to read:

Subd. 2. [MONTHLY RETURN; TOBACCO PRODUCTS DISTRIBUTOR.] On or before the 18th day of each calendar month, a distributor with a place of business in this state shall file a return with the commissioner showing the quantity and wholesale sales price of each tobacco product:

- (1) brought, or caused to be brought, into this state for sale; and
- (2) made, manufactured, or fabricated in this state for sale in this state, during the preceding calendar month.

Every licensed distributor outside this state shall in like manner file a return showing the quantity and wholesale sales price of each tobacco product shipped or transported to retailers in this state to be sold by those retailers, during the preceding calendar month. Returns must be made in the form and manner prescribed by the commissioner and must contain any other information required by the commissioner. The return must be accompanied by a remittance for the full tax liability shown, ~~less 1.5 percent of the liability as compensation to reimburse the distributor for expenses incurred in the administration of this chapter.~~ The return for the May liability and 85 percent of the estimated June liability is due on the date payment of the tax is due.

[EFFECTIVE DATE.] The part of this section abolishing the 1.5 percent reimbursement is effective for sales made after June 30, 2003. The rest of this section is effective January 1, 2004.

Sec. 9. Minnesota Statutes 2002, section 297F.09, is amended by adding a subdivision to read:

Subd. 10. [ACCELERATED TAX PAYMENT; CIGARETTE OR TOBACCO PRODUCTS DISTRIBUTOR.] A cigarette or tobacco products distributor having a liability of \$120,000 or more during a fiscal year ending June 30, shall remit the June liability for the next year in the following manner:

(a) Two business days before June 30 of the year, the distributor shall remit the actual May liability and 85 percent of the estimated June liability to the commissioner and file the return in the form and manner prescribed by the commissioner.

(b) On or before August 18 of the year, the distributor shall submit a return showing the actual June liability and pay any additional amount of tax not remitted in June. A penalty is imposed equal to ten percent of the amount of June liability required to be paid in June, less the amount remitted in June. However, the penalty is not imposed if the amount remitted in June equals the lesser of:

- (1) 85 percent of the actual June liability; or



(2) 85 percent of the preceding May's liability.

**[EFFECTIVE DATE.]** This section is effective for taxpayers having a liability of \$120,000 or more during the fiscal year ending June 30, 2003, and each fiscal year thereafter, and for accelerated payments becoming due in 2004 and thereafter.

Sec. 10. Minnesota Statutes 2002, section 297F.10, subdivision 1, is amended to read:

Subdivision 1. [TAX AND USE TAX ON CIGARETTES.] Revenue received from cigarette taxes, as well as related penalties, interest, license fees, and miscellaneous sources of revenue shall be deposited by the commissioner in the state treasury and credited as follows:

(a) first to the general obligation special tax bond debt service account in each fiscal year the amount required to increase the balance on hand in the account on each December 1 to an amount equal to the full amount of principal and interest to come due on all outstanding bonds whose debt service is payable primarily from the proceeds of the tax to and including the second following July 1; and

(b) after the requirements of paragraph (a) have been met:

(1) the revenue produced by ~~one mill~~ 3.25 mills of the tax on cigarettes weighing not more than three pounds a thousand and ~~two~~ 6.5 mills of the tax on cigarettes weighing more than three pounds a thousand must be credited to the ~~Minnesota future resources fund~~ academic health center special revenue fund hereby created and is annually appropriated to the board of regents at the University of Minnesota for academic health center funding at the University of Minnesota; and

(2) the revenue produced by 1.25 mills of the tax on cigarettes weighing not more than three pounds a thousand and 2.5 mills of the tax on cigarettes weighing more than three pounds a thousand must be credited to the medical education and research costs account hereby created in the special revenue fund and is annually appropriated to the commissioner of health for distribution under section 62J.692, subdivision 4; and

(3) the balance of the revenues derived from taxes, penalties, and interest (under this chapter) and from license fees and miscellaneous sources of revenue shall be credited to the general fund.

**[EFFECTIVE DATE.]** This section is effective for all revenues received after June 30, 2003.

Sec. 11. Minnesota Statutes 2002, section 297G.01, is amended by adding a subdivision to read:

Subd. 21. [LOW-ALCOHOL DAIRY COCKTAIL.] "Low-alcohol dairy cocktail" means a premixed cocktail, or any other product except liqueur-filled candy, that:

(1) consists primarily of milk products;

(2) contains distilled spirits;

(3) is drinkable as a beverage or is promoted as an alcoholic product; and

(4) contains less than 3.2 percent alcohol by volume.

**[EFFECTIVE DATE.]** This section is effective for sales made after June 30, 2003.

Sec. 12. Minnesota Statutes 2002, section 297G.03, subdivision 1, is amended to read:

Subdivision 1. [GENERAL RATE; DISTILLED SPIRITS AND WINE.] The following excise tax is imposed on all distilled spirits and wine manufactured, imported, sold, or possessed in this state:

|   | Standard                | Metric                 |
|---|-------------------------|------------------------|
| (a) Distilled spirits, liqueurs, cordials, and specialties regardless of alcohol content (excluding ethyl alcohol)    | \$5.03 per gallon       | \$1.33 per liter       |
| (b) Wine containing 14 percent or less alcohol by volume (except cider as defined in section 297G.01, subdivision 3a) | \$.30 per gallon        | \$.08 per liter        |
| (c) Wine containing more than 14 percent but not more than 21 percent alcohol by volume                               | \$.95 per gallon        | \$.25 per liter        |
| (d) Wine containing more than 21 percent but not more than 24 percent alcohol by volume                               | \$1.82 per gallon       | \$.48 per liter        |
| (e) Wine containing more than 24 percent alcohol by volume  | \$3.52 per gallon       | \$.93 per liter        |
| (f) Natural and artificial sparkling wines containing alcohol   | \$1.82 per gallon       | \$.48 per liter        |
| (g) Cider as defined in section 297G.01, subdivision 3a   | \$.15 per gallon        | \$.04 per liter        |
| (h) <u>Low alcohol dairy cocktails</u>  | <u>\$.08 per gallon</u> | <u>\$.02 per liter</u> |

In computing the tax on a package of distilled spirits or wine, a proportional tax at a like rate on all fractional parts of a gallon or liter must be paid, except that the tax on a fractional part of a gallon less than 1/16 of a gallon is the same as for 1/16 of a gallon.

[EFFECTIVE DATE.] This section is effective for sales made after June 30, 2003.

Sec. 13. Minnesota Statutes 2002, section 297G.09, is amended by adding a subdivision to read:

Subd. 9. [ACCELERATED TAX PAYMENT; PENALTY.] A person liable for tax under this chapter having a liability of \$120,000 or more during a fiscal year ending June 30, shall remit the June liability for the next year in the following manner:

(a) Two business days before June 30 of the year, the taxpayer shall remit the actual May liability and 85 percent of the estimated June liability to the commissioner and file the return in the form and manner prescribed by the commissioner.

(b) On or before August 18 of the year, the taxpayer shall submit a return showing the actual June liability and pay any additional amount of tax not remitted in June. A penalty is imposed equal to ten percent of the amount of June liability required to be paid in June less the amount remitted in June. However, the penalty is not imposed if the amount remitted in June equals the lesser of:

(1) 85 percent of the actual June liability; or

(2) 85 percent of the preceding May liability.

**[EFFECTIVE DATE.]** This section is effective for taxpayers having a liability of \$120,000 or more during the fiscal year ending June 30, 2003, and each fiscal year thereafter, and for accelerated payments becoming due in 2004 and thereafter.

Sec. 14. Minnesota Statutes 2002, section 349.16, is amended by adding a subdivision to read:

Subd. 11. [AGREEMENT TO PAY TAXES.] An organization which is recognized by federal law, regulation, or other ruling as a quasi-governmental organization that would otherwise be exempt from one or more taxes under chapter 297E must agree to pay all taxes under chapter 297E on lawful gambling conducted by the organization as a condition of receiving or renewing a license or premises permit.

## ARTICLE 10

### LOCAL ECONOMIC DEVELOPMENT

Section 1. Minnesota Statutes 2002, section 469.169, is amended by adding a subdivision to read:

Subd. 16. [ADDITIONAL BORDER CITY ALLOCATIONS.] (a) In addition to tax reductions authorized in subdivisions 7 to 15, the commissioner shall allocate \$750,000 for tax reductions to border city enterprise zones in cities located on the western border of the state. The commissioner shall make allocations to zones in cities on the western border on a per capita basis. Allocations made under this subdivision may be used for tax reductions as provided in section 469.171, or for other offsets of taxes imposed on or remitted by businesses located in the enterprise zone, but only if the municipality determines that the granting of the tax reduction or offset is necessary in order to retain a business within or attract a business to the zone. Any portion of the allocation provided in this paragraph may alternatively be used for tax reductions under section 469.1732 or 469.1734.

(b) The commissioner shall allocate \$750,000 for tax reductions under section 469.1732 or 469.1734 to cities with border city enterprise zones located on the western border of the state. The commissioner shall allocate this amount among the cities on a per capita basis. Any portion of the allocation provided in this paragraph may alternatively be used for tax reductions as provided in section 469.171.

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

Sec. 2. Minnesota Statutes 2002, section 469.174, subdivision 6, as amended by Laws 2003, chapter 127, article 10, section 2, is amended to read:

Subd. 6. [MUNICIPALITY.] "Municipality" means the city, however organized, in which the district is located, with the following exceptions:

(1) for a project undertaken pursuant to sections 469.152 to 469.165, "municipality" has the meaning given in sections 469.152 to 469.165; and

(2) for a project undertaken pursuant to sections 469.142 to 469.151, or a county or multicounty project undertaken pursuant to sections 469.004 to 469.008 or special law, "municipality" means the county in which the district is located.

**[EFFECTIVE DATE.]** This section is effective for districts for which the request for certification was made after July 31, 1979.

Sec. 3. Minnesota Statutes 2002, section 469.174, subdivision 10, is amended to read:

Subd. 10. [REDEVELOPMENT DISTRICT.] (a) "Redevelopment district" means a type of tax increment financing district consisting of a project, or portions of a project, within which the authority finds by resolution that one or more of the following conditions, reasonably distributed throughout the district, exists:

(1) parcels consisting of 70 percent of the area of the district are occupied by buildings, streets, utilities, paved or gravel parking lots, or other similar structures and more than 50 percent of the buildings, not including outbuildings, are structurally substandard to a degree requiring substantial renovation or clearance; ~~or~~

(2) the property consists of vacant, unused, underused, inappropriately used, or infrequently used railyards, rail storage facilities, or excessive or vacated railroad rights-of-way; ~~or~~

(3) tank facilities, or property whose immediately previous use was for tank facilities, as defined in section 115C.02, subdivision 15, if the tank facilities:

(i) have or had a capacity of more than 1,000,000 gallons;

(ii) are located adjacent to rail facilities; and

(iii) have been removed or are unused, underused, inappropriately used, or infrequently used; or

(4) a qualifying disaster area, as defined in subdivision 10b.

(b) For purposes of this subdivision, "structurally substandard" shall mean containing defects in structural elements or a combination of deficiencies in essential utilities and facilities, light and ventilation, fire protection including adequate egress, layout and condition of interior partitions, or similar factors, which defects or deficiencies are of sufficient total significance to justify substantial renovation or clearance.

(c) A building is not structurally substandard if it is in compliance with the building code applicable to new buildings or could be modified to satisfy the building code at a cost of less than 15 percent of the cost of constructing a new structure of the same square footage and type on the site. The municipality may find that a building is not disqualified as structurally substandard under the preceding sentence on the basis of reasonably available evidence, such as the size, type, and age of the building, the average cost of plumbing, electrical, or structural repairs, or other similar reliable evidence. The municipality may not make such a determination without an interior inspection of the property, but need not have an independent, expert appraisal prepared of the cost of repair and rehabilitation of the building. An interior inspection of the property is not required, if the municipality finds that (1) the municipality or authority is unable to gain access to the property after using its best efforts to obtain permission from the party that owns or controls the property; and (2) the evidence otherwise supports a reasonable conclusion that the building is structurally substandard. Items of evidence that support such a conclusion include recent fire or police inspections, on-site property tax appraisals or housing inspections, exterior evidence of deterioration, or other similar reliable evidence. Written documentation of the findings and reasons why an interior inspection was not conducted must be made and retained under section 469.175, subdivision 3, clause (1).

(d) A parcel is deemed to be occupied by a structurally substandard building for purposes of the finding under paragraph (a) if all of the following conditions are met:

(1) the parcel was occupied by a substandard building within three years of the filing of the request for certification of the parcel as part of the district with the county auditor;

(2) the substandard building was demolished or removed by the authority or the demolition or removal was financed by the authority or was done by a developer under a development agreement with the authority;

(3) the authority found by resolution before the demolition or removal that the parcel was occupied by a structurally substandard building and that after demolition and clearance the authority intended to include the parcel within a district; and

(4) upon filing the request for certification of the tax capacity of the parcel as part of a district, the authority notifies the county auditor that the original tax capacity of the parcel must be adjusted as provided by section 469.177, subdivision 1, paragraph (h).

(e) For purposes of this subdivision, a parcel is not occupied by buildings, streets, utilities, paved or gravel parking lots, or other similar structures unless 15 percent of the area of the parcel contains buildings, streets, utilities, paved or gravel parking lots, or other similar structures.

(f) For districts consisting of two or more noncontiguous areas, each area must qualify as a redevelopment district under paragraph (a) to be included in the district, and the entire area of the district must satisfy paragraph (a).

**[EFFECTIVE DATE.]** This section is effective for districts for which the request for certification is made after the day following final enactment.

Sec. 4. Minnesota Statutes 2002, section 469.174, is amended by adding a subdivision to read:

Subd. 10b. [QUALIFIED DISASTER AREA.] A "qualified disaster area" is an area that meets the following requirements:

(1) parcels consisting of 70 percent of the area of the district were occupied by buildings, streets, utilities, paved or gravel parking lots, or other similar structures immediately before the disaster or emergency;

(2) the area of the district was subject to a disaster or emergency, as defined in section 273.123, subdivision 1, within the 18-month period ending on the day the request for certification of the district is made; and

(3) 50 percent or more of the buildings in the area have suffered substantial damage as a result of the disaster or emergency.

**[EFFECTIVE DATE.]** This section is effective for districts for which the request for certification is made after the day following final enactment.

Sec. 5. Minnesota Statutes 2002, section 469.1763, subdivision 2, is amended to read:

Subd. 2. [EXPENDITURES OUTSIDE DISTRICT.] (a) For each tax increment financing district, an amount equal to at least 75 percent of the total revenue derived from tax increments paid by properties in the district must be expended on activities in the district or to pay bonds, to the extent that the proceeds of the bonds were used to finance activities in the district or to pay, or secure payment of, debt service on credit enhanced bonds. For districts, other than redevelopment districts for which the request for certification was made after June 30, 1995, the in-district percentage for purposes of the preceding sentence is 80 percent. Not more than 25 percent of the total revenue derived from tax increments paid by properties in the district may be expended, through a development fund or otherwise, on activities outside of the district but within the defined geographic area of the project except to pay, or secure payment of, debt service on credit enhanced bonds. For districts, other than redevelopment districts for which the request for certification was made after June 30, 1995, the pooling percentage for purposes of the preceding sentence is 20 percent. The revenue derived from tax increments for the district that are expended on costs under section 469.176, subdivision 4h, paragraph (b), may be deducted first before calculating the percentages that must be expended within and without the district.

(b) In the case of a housing district, a housing project, as defined in section 469.174, subdivision 11, is an activity in the district.

(c) All administrative expenses are for activities outside of the district, except that if the only expenses for activities outside of the district under this subdivision are for the purposes described in paragraph (d), administrative expenses will be considered as expenditures for activities in the district.

(d) The authority may elect, in the tax increment financing plan for the district, to increase by up to ten percentage points the permitted amount of expenditures for activities located outside the geographic area of the district under paragraph (a). As permitted by section 469.176, subdivision 4k, the expenditures, including the permitted expenditures under paragraph (a), need not be made within the geographic area of the project. Expenditures that meet the requirements of this paragraph are legally permitted expenditures of the district, notwithstanding section 469.176, subdivisions 4b, 4c, and 4j. To qualify for the increase under this paragraph, the expenditures must:

(1) be used exclusively to assist housing that meets the requirement for a qualified low-income building, as that term is used in section 42 of the Internal Revenue Code;

(2) not exceed the qualified basis of the housing, as defined under section 42(c) of the Internal Revenue Code, less the amount of any credit allowed under section 42 of the Internal Revenue Code; and

(3) be used to:

(i) acquire and prepare the site of the housing;

(ii) acquire, construct, or rehabilitate the housing; or

(iii) make public improvements directly related to the housing.

**[EFFECTIVE DATE.]** This section is effective for districts for which the request for certification was made after April 30, 1990.

Sec. 6. Minnesota Statutes 2002, section 469.1763, subdivision 4, is amended to read:

Subd. 4. **[USE OF REVENUES FOR DECERTIFICATION.]** (a) In each year beginning with the sixth year following certification of the district, if the applicable in-district percent of the revenues derived from tax increments paid by properties in the district ~~that remain after~~ exceeds the amount of expenditures that have been made for costs permitted under subdivision 3, an amount equal to the difference between the in-district percent of the revenues derived from tax increments paid by properties in the district and the amount of expenditures that have been made for costs permitted under subdivision 3 must be used and only used to pay or defease the following or be set aside to pay the following:

(1) outstanding bonds, as defined in subdivision 3, paragraphs (a), clause (2), and (b);

(2) contracts, as defined in subdivision 3, paragraph (a), clauses (3) and (4); or

(3) credit enhanced bonds to which the revenues derived from tax increments are pledged, but only to the extent that revenues of the district for which the credit enhanced bonds were issued are insufficient to pay the bonds and to the extent that the increments from the applicable pooling percent share for the district are insufficient.

(b) When the outstanding bonds have been defeased and when sufficient money has been set aside to pay contractual obligations as defined in subdivision 3, paragraph (a), clauses (3) and (4), the district must be decertified and the pledge of tax increment discharged.

Sec. 7. Minnesota Statutes 2002, section 469.177, subdivision 1, is amended to read:

Subdivision 1. [ORIGINAL NET TAX CAPACITY.] (a) Upon or after adoption of a tax increment financing plan, the auditor of any county in which the district is situated shall, upon request of the authority, certify the original net tax capacity of the tax increment financing district and that portion of the district overlying any subdistrict as described in the tax increment financing plan and shall certify in each year thereafter the amount by which the original net tax capacity has increased or decreased as a result of a change in tax exempt status of property within the district and any subdistrict, reduction or enlargement of the district or changes pursuant to subdivision 4.

(b) For districts approved under section 469.175, subdivision 3, or parcels added to existing districts after May 1, 1988, if the classification under section 273.13 of property located in a district changes to a classification that has a different assessment ratio, the original net tax capacity of that property must be redetermined at the time when its use is changed as if the property had originally been classified in the same class in which it is classified after its use is changed.

(c) The amount to be added to the original net tax capacity of the district as a result of previously tax exempt real property within the district becoming taxable equals the net tax capacity of the real property as most recently assessed pursuant to section 273.18 or, if that assessment was made more than one year prior to the date of title transfer rendering the property taxable, the net tax capacity assessed by the assessor at the time of the transfer. If improvements are made to tax exempt property after certification of the district and before the parcel becomes taxable, the assessor shall, at the request of the authority, separately assess the estimated market value of the improvements. If the property becomes taxable, the county auditor shall add to original net tax capacity, the net tax capacity of the parcel, excluding the separately assessed improvements. If substantial taxable improvements were made to a parcel after certification of the district and if the property later becomes tax exempt, in whole or part, as a result of the authority acquiring the property through foreclosure or exercise of remedies under a lease or other revenue agreement or as a result of tax forfeiture, the amount to be added to the original net tax capacity of the district as a result of the property again becoming taxable is the amount of the parcel's value that was included in original net tax capacity when the parcel was first certified. The amount to be added to the original net tax capacity of the district as a result of enlargements equals the net tax capacity of the added real property as most recently certified by the commissioner of revenue as of the date of modification of the tax increment financing plan pursuant to section 469.175, subdivision 4.

(d) For districts approved under section 469.175, subdivision 3, or parcels added to existing districts after May 1, 1988, if the net tax capacity of a property increases because the property no longer qualifies under the Minnesota Agricultural Property Tax Law, section 273.111; the Minnesota Open Space Property Tax Law, section 273.112; or the Metropolitan Agricultural Preserves Act, chapter 473H, or because platted, unimproved property is improved or three years pass after approval of the plat under section 273.11, subdivision 1, the increase in net tax capacity must be added to the original net tax capacity.

(e) The amount to be subtracted from the original net tax capacity of the district as a result of previously taxable real property within the district becoming tax exempt, or a reduction in the geographic area of the district, shall be the amount of original net tax capacity initially attributed to the property becoming tax exempt or being removed from the district. If the net tax capacity of property located within the tax increment financing district is reduced by reason of a court-ordered abatement, stipulation agreement, voluntary abatement made by the assessor or auditor or by order of the commissioner of revenue, the reduction shall be applied to the original net tax capacity of the district when the property upon which the abatement is made has not been improved since the date of certification of the district and to the captured net tax capacity of the district in each year thereafter when the abatement relates to improvements made after the date of certification. The county auditor may specify reasonable form and content of the request for certification of the authority and any modification thereof pursuant to section 469.175, subdivision 4.

(f) If a parcel of property contained a substandard building that was demolished or removed and if the authority elects to treat the parcel as occupied by a substandard building under section 469.174, subdivision 10, paragraph (b), the auditor shall certify the original net tax capacity of the parcel using the greater of (1) the current net tax capacity of the parcel, or (2) the estimated market value of the parcel for the year in which the building was demolished or removed, but applying the class rates for the current year.

(g) For a redevelopment district qualifying under section 469.174, subdivision 10, paragraph (a), clause (4), as a qualified disaster area, the auditor shall certify the value of the land as the original tax capacity for any parcel in the district that contains a building that suffered substantial damage as a result of the disaster or emergency.

[EFFECTIVE DATE.] This section is effective for districts for which the request for certification is made after the day following final enactment.

Sec. 8. [469.1794] [DURATION EXTENSION TO OFFSET DEFICITS.]

Subdivision 1. [AUTHORITY.] Subject to the conditions and limitations imposed by this section, an authority may, by resolution, extend the duration limit under section 469.176, subdivision 1b, 1c, 1e, or 1g, that applies to a preexisting district by up to the maximum number of years permitted under subdivision 5, plus any amount authorized by the commissioner of revenue under subdivision 6.

Subd. 2. [DEFINITIONS.] (a) For purposes of this section, the following terms have the meanings given.

(b) "Extended district" means a tax increment financing district whose duration limit is extended under this section.

(c) "Preexisting district" has the meaning given in section 469.1792, subdivision 2.

(d) "Preexisting obligation" has the meaning given in section 469.1792, subdivision 2.

(e) "Qualifying obligation" means:

(1) a preexisting obligation that is:

(i) a general obligation bond of the municipality;

(ii) a general obligation bond of the authority;

(iii) a revenue bond of the authority to which other revenues or money of the authority in addition to tax increments are pledged to pay;

(iv) an interfund loan, including an advance or payment made by the municipality or authority after June 1, 2002, to pay an obligation listed in items (i) to (iii);

(v) an obligation assumed by a developer before January 1, 2001, to repay a general obligation bond issued by a municipality to fund cleanup and development activities, if the developer assumed the obligation more than five years after the issuance of the bonds; or

(2) a bond issued to refinance a preexisting obligation under clause (1).

Subd. 3. [PRECONDITIONS.] Before an authority may extend the duration of district under this section, the following conditions must be met with regard to the district:



(1) the original local tax rate under section 469.177, subdivision 1a, does not apply under an election made under section 469.1792, subdivision 3, or under other operation of law;

(2) for a district in the metropolitan area or taconite tax relief area, the fiscal disparities contribution is computed under section 469.177, subdivision 3, paragraph (a);

(3) the municipality has transferred any available increments in other districts to pay qualified obligations of the district or other districts in the municipality under section 469.1763, subdivision 6; and

(4) the authority finds that, taking into account all of the increments that are available to pay qualifying obligations for the district, the increments from the district will be insufficient to pay the amount of qualifying obligations and that the insufficiency is a result of (i) the changes in the class rates and (ii) elimination of the state-determined general education property tax levy under Laws 2001, First Special Session chapter 5.

Subd. 4. [NOTICE; HEARING; AND APPROVALS.] The authority may extend the duration of a district under this section only after the municipality has approved the extension after providing public notice and holding a hearing in the manner provided under section 469.175, subdivision 3.

Subd. 5. [MAXIMUM EXTENSION.] (a) The maximum extension for a district under this subdivision equals the lesser of:

(1) four years; or

(2) the tax reform percentage for the district, determined under paragraph (b), multiplied by the remaining duration of the district rounded to the nearest whole number. Fractions in excess of one-third are rounded up.

(b) The tax reform percentage for the district, as estimated by the county auditor, equals:

(1)(i) the total taxes paid by the original tax capacity for the district for taxes payable in 2001, minus

(ii) the average of the total taxes paid by the original tax capacity for the district for taxes payable in 2002 and in 2003, divided by

(2) the total taxes paid by the original tax capacity for the district for taxes payable in 2001.

(c) In the resolution approving the extension, the municipality may elect to treat all preexisting obligations as qualified obligations for purposes of this section. If the municipality makes an election under this paragraph, the maximum duration is reduced by one-half of the amount otherwise permitted under paragraph (a).

(d) The remaining duration of a district is the number of calendar years, beginning after December 31, 2001, in which the district may collect increment under its duration limit under section 469.176, subdivision 1b, 1c, 1e, or 1g, or a special law approved before January 1, 2002, as applicable.

(e) For purposes of this subdivision, "taxes" exclude taxes levied against market value, rather than tax capacity, and the state general tax under section 275.025.

Subd. 6. [COMMISSIONER AUTHORITY.] (a) If the municipality determines that the extension permitted under subdivision 5 will not provide sufficient revenue to pay in full the amount of qualifying obligations, the municipality may apply to the commissioner of revenue for an additional duration extension. The commissioner may authorize an extension of the duration of the district of up to two years after determining that:

(1) the insufficiency of revenues to pay the qualifying obligations, which will be offset by the additional extension of the duration limit, result from (i) the changes in the class rates and (ii) elimination of the state-determined general education property tax levy under Laws 2001, First Special Session chapter 5;

(2) the municipality has or is transferring all available increments from other preexisting districts and after August 1, 2001, has not entered into new obligations or authorized new spending that reduced the amount of those increments that are available for transfer to pay qualifying obligations; and

(3) increases in increments over the term of the district are unlikely to eliminate the insufficiency.

(b) The commissioner may:

(1) establish the form of and time for applications under this subdivision; and

(2) require the municipality to provide the information that the commissioner determines is necessary or useful in evaluating the application.

(c) This subdivision does not apply to a district if the authority has made an election under subdivision 5, paragraph (c).

Subd. 7. [LIMITS ON USE OF INCREMENTS.] (a) Tax increments of an extended district may only be used to pay preexisting obligations of the district and administrative expenses, effective upon the final required approval of the extension under this section. All tax increments that are attributable to an extension of the duration of a district under this section must be used only to pay qualified obligations of the district. If increments from a district subject to this subdivision are pledged to pay preexisting obligations that are not qualified obligations, increments received under the duration limit, determined without regard to this section, must be used to pay qualified obligations and preexisting obligations that are not qualified obligations in proportion to their relative shares of all payments due on all preexisting obligations.

(b) If the authority elects to extend the duration of a district under this section and if increments from one or more other districts are pledged to pay preexisting obligations of the extended district, increments from all of the districts may only be used to pay preexisting obligations and administrative expenses.

Subd. 8. [DECERTIFICATION.] An extended district must be decertified at the end of the first calendar year when sufficient increments have been received to pay the qualified obligations of the extended district. Any remaining unspent increments must be distributed as excess increments under section 469.176, subdivision 2, clause (4).

[EFFECTIVE DATE.] This section is effective the day following final enactment and applies to districts for which the request for certification was made on, before, or after August 1, 1979, and before August 1, 2001.

Sec. 9. Minnesota Statutes 2002, section 474A.061, subdivision 1, as amended by Laws 2003, chapter 127, article 12, section 22, is amended to read:

Subdivision 1. [ALLOCATION APPLICATION.] (a) An issuer may apply for an allocation under this section by submitting to the department an application on forms provided by the department, accompanied by (1) a preliminary resolution, (2) a statement of bond counsel that the proposed issue of obligations requires an allocation under this chapter and the Internal Revenue Code, (3) the type of qualified bonds to be issued, (4) an application deposit in the amount of one percent of the requested allocation before the last Monday in July, or in the amount of two percent of the requested allocation on or after the last Monday in July, (5) a public purpose scoring worksheet for manufacturing project and enterprise zone facility project applications, and (6) for residential rental projects, a

statement from the applicant or bond counsel as to whether the project preserves existing federally subsidized housing for residential rental project applications and whether the project is restricted to persons who are 55 years of age or older. The issuer must pay the application deposit by a check made payable to the department of finance. The Minnesota housing finance agency, the Minnesota rural finance authority, and the Minnesota higher education services office may apply for and receive an allocation under this section without submitting an application deposit.

(b) An entitlement issuer may not apply for an allocation from the public facilities pool unless it has either permanently issued bonds equal to the amount of its entitlement allocation for the current year plus any amount of bonding authority carried forward from previous years or returned for reallocation all of its unused entitlement allocation. An entitlement issuer may not apply for an allocation from the housing pool unless it either has permanently issued bonds equal to any amount of bonding authority carried forward from a previous year or has returned for reallocation ~~all of its unused entitlement allocation~~ any unused bonding authority carried forward from a previous year. For purposes of this subdivision, its entitlement allocation includes an amount obtained under section 474A.04, subdivision 6. This paragraph does not apply to an application from the Minnesota housing finance agency for an allocation under subdivision 2a for cities who choose to have the agency issue bonds on their behalf.

(c) If an application is rejected under this section, the commissioner must notify the applicant and return the application deposit to the applicant within 30 days unless the applicant requests in writing that the application be resubmitted. The granting of an allocation of bonding authority under this section must be evidenced by a certificate of allocation.

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

Sec. 10. [CITY OF NEW HOPE; TAX INCREMENT FINANCING DISTRICT.]

Subdivision 1. [SPECIAL RULES.] (a) At the election of the city, upon adoption of the tax increment financing plan for a district or districts described in this section, the rules provided under this section apply to each such district.

For purposes of this section, "district" means a redevelopment or soils condition tax increment financing district established by the city of New Hope or the economic development authority of the city within the following area: beginning at the intersection of Winnetka Avenue N. and the westerly extension of 58th Avenue N., east on the westerly extension of 58th Avenue N. to Sumter Avenue N., south on Sumter Avenue N. to Bass Lake Road, east on Bass Lake Road to the city boundaries of New Hope and Crystal, MN, south along that city boundary to St. Raphael Drive, west on St. Raphael Drive to Sumter Avenue N., south on Sumter Avenue N. to 53rd Avenue N., west on 53rd Avenue N. to Winnetka Avenue N., north on Winnetka Avenue N. to 55th Avenue N., west on 55th Avenue N. to Zealand Avenue N., north on Zealand Avenue N. to Bass Lake Road, east on Bass Lake Road to Yukon Avenue N., north on Yukon Avenue N. to Meadow Lake Road E., east on Meadow Lake Road E. to the intersection with the west property line of New Hope golf course, south along the west property line of New Hope golf course to Bass Lake Road, east on Bass Lake Road to Winnetka Avenue N., north on Winnetka Avenue N. to the point of beginning. The total number of parcels that may be included within all such redevelopment or soils condition tax increment financing districts must not exceed 131 and the total acreage, including roads, easements, and rights-of-way, must not exceed 130 acres.

(b) The five-year rule under Minnesota Statutes, section 469.1763, subdivision 3, applies as if the limit is nine years.

(c) The limitations on expenditure of increment outside of the district under Minnesota Statutes, section 469.1763, subdivision 2, apply as follows:

(1) administrative expenses are treated as expenditures for activities within the district;

(2) the percentage of increments that may be spent on activities outside of the district under Minnesota Statutes, section 469.1763, subdivision 2, is increased by 15 percentage points;

(3) increments spent outside of the district may only be spent on costs, such as property acquisition and public improvements, that are fairly apportioned to parcels on which the ultimate use is planned for housing; and

(4) increments may only be expended on improvements within the area identified in paragraph (a).

(d) The requirements for qualifying a redevelopment district under Minnesota Statutes, section 469.174, subdivision 10, do not apply to the parcels identified as 08-118-21-22-0001, 08-118-21-33-0008, 08-118-21-33-0009, 08-118-21-33-0010, 08-118-21-33-0011, 08-118-21-33-0013, 08-118-21-33-0018, 08-118-21-33-0019, 08-118-21-33-0025, 08-118-21-33-0027, 08-118-21-33-0029, 08-118-21-33-0082, and 08-118-21-33-0087, which are deemed substandard for the purpose of qualifying the district as a redevelopment district.

Subd. 2. [EXPIRATION.] (a) The exception under subdivision 1, paragraph (c), from the limitations of Minnesota Statutes, section 469.1763, subdivision 2, expires 20 years after the receipt of the first increment from a district for which the city has elected that this section applies.

(b) The authority to approve tax increment financing plans to establish a tax increment financing district subject to this section expires on December 31, 2013.

Subd. 3. [EFFECTIVE DATE.] This section is effective upon approval by the governing bodies of the city of New Hope and Hennepin county and upon compliance by the city with Minnesota Statutes, section 645.021, subdivision 3.

Sec. 11. [EFFECTIVE DATE.]

Unless specifically provided otherwise in that article, Laws 2003, chapter 127, article 12, is effective the day following the final enactment of Laws 2003, chapter 127.

## ARTICLE 11

### MISCELLANEOUS

Section 1. Minnesota Statutes 2002, section 3.986, subdivision 4, is amended to read:

Subd. 4. [POLITICAL SUBDIVISION.] A "political subdivision" is a school district, county, or home rule charter or statutory city.

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

Sec. 2. Minnesota Statutes 2002, section 16A.152, subdivision 1, is amended to read:

Subdivision 1. [CASH FLOW ACCOUNT ESTABLISHED.] (a) A cash flow account is created in the general fund in the state treasury. Beginning July 1, 2003, the commissioner of finance shall restrict part or all of the balance before reserves in the general fund as may be necessary to fund the cash flow account, up to \$350,000,000.

~~(b) The Amounts restricted are transferred to~~ in the cash flow account ~~and~~ shall remain in the account until drawn down and used to meet cash flow deficiencies resulting from uneven distribution of revenue collections and required expenditures during a fiscal year.

Sec. 3. Minnesota Statutes 2002, section 16A.152, subdivision 1b, is amended to read:

Subd. 1b. [BUDGET RESERVE INCREASE.] On ~~June 30~~ July 1, 2003, the commissioner of finance shall transfer ~~\$3,900,000~~ \$300,000,000 to the budget reserve account in the general fund. On ~~June 30~~ July 1, 2004, the commissioner of finance shall transfer ~~\$12,300,000~~ \$296,000,000 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. 4. Minnesota Statutes 2002, section 18B.07, subdivision 2, as amended by Laws 2003, chapter 127, article 13, section 1, is amended to read:

Subd. 2. [PROHIBITED PESTICIDE USE.] (a) A person may not use, store, handle, distribute, or dispose of a pesticide, rinsate, pesticide container, or pesticide application equipment in a manner:

- (1) that is inconsistent with a label or labeling as defined by FIFRA;
- (2) that endangers humans, damages agricultural products, food, livestock, fish, or wildlife; or
- (3) that will cause unreasonable adverse effects on the environment.

(b) A person may not direct a pesticide onto property beyond the boundaries of the target site. A person may not apply a pesticide resulting in damage to adjacent property.

(c) A person may not directly apply a pesticide on a human by overspray or target site spray, except when:

- (1) the pesticide is intended for use on a human;
- (2) the pesticide application is for mosquito control operations;

(3) the pesticide application is for control of gypsy moth, forest tent caterpillar, or other pest species, as determined by the commissioner, and the pesticide used is a biological agent; or

(4) the pesticide application is for a public health risk, as determined by the commissioner of health, and the commissioner of health, in consultation with the commissioner of agriculture, determines that the application is warranted based on the commissioner's balancing of the public health risk with the risk that the pesticide application poses to the health of the general population, with special attention to the health of children.

(d) For pesticide applications under paragraph (c), clause (2), the following conditions apply:

- (1) no practicable and effective alternative method of control exists;
- (2) the pesticide is among the least toxic available for control of the target pest; and

(3) notification to residents in the area to be treated is provided at least 24 hours before application through direct notification, posting daily on the treating organization's Web site, if any, and by sending a broadcast e-mail to those persons who request notification of such, of those areas to be treated by adult mosquito control techniques during the next calendar day. For control operations related to human disease, notice under this paragraph may be given less than 24 hours in advance.

(e) For pesticide applications under paragraph (c), clauses (3) and (4), the following conditions apply:

(1) no practicable and effective alternative method of control exists;

(2) the pesticide is among the least toxic available for control of the target pest; and

(3) notification of residents in the area to be treated is provided by direct notification and through publication in a newspaper of general circulation within the affected area.

(f) For purposes of this subdivision, "direct notification" may include mailings, public meetings, posted placards, neighborhood newsletters, or other means of contact designed to reach as many residents as possible.

(g) A person may not apply a pesticide in a manner so as to expose a worker in an immediately adjacent, open field.

Sec. 5. [270.30] [TAX PREPARATION SERVICES.]

Subdivision 1. [SCOPE.] (a) This section applies to a person who offers, provides, or facilitates the provision of refund anticipation loans, as part of or in connection with the provision of tax preparation services.

(b) This section does not apply to:

(1) a tax preparer who provides tax preparation services for fewer than six clients in a calendar year;

(2) the provision by a person of tax preparation services to a spouse, parent, grandparent, child, or sibling; and

(3) the provision of services by an employee for an employer.

Subd. 2. [DEFINITIONS.] (a) For purposes of this section, the following terms have the meanings given.

(b) "Client" means an individual for whom a tax preparer performs or agrees to perform tax preparation services.

(c) "Person" means an individual, corporation, partnership, limited liability company, association, trustee, or other legal entity.

(d) "Refund anticipation loan" means a loan, whether provided by the tax preparer or another entity such as a financial institution, in anticipation of, and whose payment is secured by, a client's federal or state income tax refund or both.

(e) "Tax preparation services" means services provided for a fee or other consideration to a client to:

(1) assist with preparing or filing state or federal individual income tax returns;

(2) assume final responsibility for completed work on an individual income tax return on which preliminary work has been done by another; or

(3) offer or facilitate the provision of refund anticipation loans.

(f) "Tax preparer" or "preparer" means a person providing tax preparation services subject to this section.

Subd. 3. [STANDARDS OF CONDUCT.] No tax preparer shall:

- (1) without good cause fail to promptly, diligently, and without unreasonable delay complete a client's tax return;
- (2) obtain the signature of a client to a tax return or authorizing document that contains blank spaces to be filled in after it has been signed;
- (3) fail to sign a client's tax return when payment for services rendered has been made;
- (4) fail or refuse to give a client a copy of any document requiring the client's signature within a reasonable time after the client signs the document;
- (5) fail to retain for at least four years a copy of individual income tax returns;
- (6) fail to maintain a confidential relationship between themselves and their clients or former clients;
- (7) fail to take commercially reasonable measures to safeguard a client's nonpublic personal information;
- (8) make, authorize, publish, disseminate, circulate, or cause to make, either directly or indirectly, any false, deceptive, or misleading statement or representation relating to or in connection with the offering or provision of tax preparation services;
- (9) require a client to enter into a loan arrangement in order to complete a tax return;
- (10) claim credits or deductions on a client's tax return for which the tax preparer knows or reasonably should know the taxpayer does not qualify;
- (11) charge, offer to accept, or accept a fee based upon a percentage of an anticipated refund for tax preparation services;
- (12) under any circumstances, withhold or fail to return to a client a document provided by the client for use in preparing the client's tax return.

Subd. 4. [REQUIRED DISCLOSURES; REFUND ANTICIPATION LOANS.] (a) If a tax preparer offers to make or facilitate a refund anticipation loan to the client, the preparer must make the disclosures in this subdivision. The disclosures must be made before or at the same time the preparer offers the refund anticipation loan to the client.

(b) The tax preparer must provide to a client a written notice on a single sheet of paper, separate from any other document or writing, containing:

(1) a legend, centered at the top on the single sheet of paper, in bold, capital letters, and in 28-point type stating "NOTICE";

(2) the following verbatim statements:

(i) "This a loan. The annual percentage rate (APR), based on the estimated payment period, is (fill in the estimated APR)."

(ii) "Your refund will be used to repay the loan. As a result, the amount of your refund will be reduced by (fill in appropriate dollar amount) for fees, interest, and other charges."

(iii) "You can get your refund in about two weeks if you file your return electronically and have the Internal Revenue Service send your refund to your own bank account." and

(3) if the client is subject to additional interest when a refund is delayed, the following verbatim statement must also be included in the notice: "If you choose to take this loan and your refund is delayed, you may have to pay additional interest."

(c) All required statements must be in capital and small font type fonts, in a minimum of 14-point type, with at least a double space between each line in the statement and four spaces between each statement.

(d) The notice must be signed and dated by the tax preparer and the client.

Subd. 5. [ITEMIZED BILL REQUIRED.] A tax preparer must provide an itemized statement of the charges for services, at least separately stating the charges for:

(1) return preparation;

(2) electronic filing; and

(3) providing or facilitating a refund anticipation loan.

Subd. 6. [ENFORCEMENT; PENALTIES.] The commissioner may impose an administrative penalty of not more than \$1,000 per violation of subdivision 3, 4, or 5. The commissioner may terminate a tax preparer's authority to transmit returns electronically to the state, if the commissioner determines the tax preparer engaged in a pattern and practice of violating this section. Imposition of a penalty under this subdivision is subject to the contested case procedure under chapter 14. The commissioner shall collect the penalty in the same manner as the income tax.

Subd. 7. [ENFORCEMENT; CIVIL ACTIONS.] (a) Any violation of this section is an unfair, deceptive, and unlawful trade practice within the meaning of section 8.31.

(b) A client may bring a civil action seeking redress for a violation of this section in the conciliation or the district court of the county in which unlawful action is alleged to have been committed or where the respondent resides or has a principal place of business.

(c) A district court finding for the plaintiff must award actual damages, including incidental and consequential damages, reasonable attorney fees, court costs, and any other equitable relief as the court considers appropriate.

Subd. 8. [EXEMPTIONS; ENFORCEMENT PROVISIONS.] The provisions of subdivisions 6 and 7 do not apply to:

(1) an attorney admitted to practice under section 481.01;

(2) a certified public accountant holding a certificate under section 326A.04 or a person issued a permit to practice under section 326A.05;

(3) a person designated as a registered accounting practitioner under Minnesota Rules, part 1105.6600, or a registered accounting practitioner firm issued a permit under Minnesota Rules, part 1105.7100;



(4) an enrolled agent who has passed the special enrollment examination administered by the Internal Revenue Service; and

(5) any fiduciary, or the regular employees of a fiduciary, while acting on behalf of the fiduciary estate, the testator, trustor, grantor, or beneficiaries of them.

Sec. 6. Minnesota Statutes 2002, section 270A.03, subdivision 2, is amended to read:

Subd. 2. [CLAIMANT AGENCY.] "Claimant agency" means any state agency, as defined by section 14.02, subdivision 2, the regents of the University of Minnesota, any district court of the state, any county, any statutory or home rule charter city presenting a claim for a municipal hospital or a public library or a municipal ambulance service, a hospital district, a private nonprofit hospital that leases its building from the county in which it is located, any public agency responsible for child support enforcement, any public agency responsible for the collection of court-ordered restitution, and any public agency established by general or special law that is responsible for the administration of a low-income housing program. A county may act as a claimant agency on behalf of an ambulance service licensed under chapter 144E if the ambulance service's primary service area is located at least in part within the county, but more than one county may not act as a claimant agency for a licensed ambulance service with respect to the same debt.

Sec. 7. Minnesota Statutes 2002, section 270A.07, subdivision 1, is amended to read:

Subdivision 1. [NOTIFICATION REQUIREMENT.] (a) Any claimant agency, seeking collection of a debt through setoff against a refund due, shall submit to the commissioner information indicating the amount of each debt and information identifying the debtor, as required by section 270A.04, subdivision 3.

(b) For each setoff of a debt against a refund due, the commissioner shall charge a fee of \$10. The proceeds of fees shall be allocated by depositing \$2.55 of each \$10 fee collected into a department of revenue recapture revolving fund and depositing the remaining balance into the general fund. The sums deposited into the revolving fund are appropriated to the commissioner for the purpose of administering the Revenue Recapture Act.

(c) For each debt for which a county acts as claimant agency on behalf of a licensed ambulance service, the county may charge the ambulance service a fee not to exceed the cost of administering the claim.

(d) The claimant agency shall notify the commissioner when a debt has been satisfied or reduced by at least \$200 within 30 days after satisfaction or reduction.

Sec. 8. Minnesota Statutes 2002, section 270A.07, subdivision 2, is amended to read:

Subd. 2. [SETOFF PROCEDURES.] (a) The commissioner, upon receipt of notification, shall initiate procedures to detect any refunds otherwise payable to the debtor. When the commissioner determines that a refund is due to a debtor whose debt was submitted by a claimant agency, the commissioner shall first deduct the fee in subdivision 1, paragraph (b), and then remit the refund or the amount claimed, whichever is less, to the agency. In transferring or remitting moneys to the claimant agency, the commissioner shall provide information indicating the amount applied against each debtor's obligation and the debtor's address listed on the tax return.

(b) The commissioner shall remit to the debtor the amount of any refund due in excess of the debt submitted for setoff by the claimant agency. Notice of the amount setoff and address of the claimant agency shall accompany any disbursement to the debtor of the balance of a refund, or shall be sent to the debtor at the time of setoff if the entire refund is set off. The notice shall also advise the debtor of the right to contest the validity of the claim, other than a claim based upon child support under section 518.171, 518.54, 518.551, or chapter 518C at a hearing, subject to the

restrictions in this paragraph. The debtor must assert this right by written request to the claimant agency, which request the claimant agency must receive within 45 days of the date of the notice. This right does not apply to (1) issues relating to the validity of the claim that have been previously raised at a hearing under this section or section 270A.09; (2) issues relating to the validity of the claim that were not timely raised by the debtor under section 270A.08, subdivision 2; (3) issues relating to the validity of the claim that have been previously raised at a hearing conducted under rules promulgated by the United States Department of Housing and Urban Development or any public agency that is responsible for the administration of a low-income housing program, or that were not timely raised by the debtor under those rules; or (4) issues relating to the validity of the claim for which a hearing is discretionary under section 270A.09. The notice shall include an explanation of the right of the spouse who does not owe the debt to request the claimant agency to repay the spouse's portion of a joint refund.

Sec. 9. Minnesota Statutes 2002, section 273.1341, as added by Laws 2003, chapter 127, article 11, section 2, is amended to read:

273.1341 [TACONITE ASSISTANCE AREA.]

A "taconite assistance area" means the geographic area that falls within the boundaries of a school district that contains:

(1) a municipality in which the assessed valuation of unmined iron ore on May 1, 1941, was not less than 40 percent of the assessed valuation of all real property; or

(2) a municipality in which on January 1, 1977, or the applicable assessment date, there is a taconite concentrating plant or where taconite is mined or quarried or where there is located an electric generating plant which qualifies as a taconite facility.

**[EFFECTIVE DATE.]** This section is effective for taxes payable in 2004 and thereafter.

Sec. 10. Minnesota Statutes 2002, section 276A.01, subdivision 2, is amended to read:

Subd. 2. [AREA.] "Area" means the territory included within all ~~tax relief~~ taconite assistance areas defined in section ~~273.134, paragraph (b)~~ 273.1341.

Sec. 11. Minnesota Statutes 2002, section 289A.08, subdivision 16, as amended by Laws 2003, First Special Session chapter 1, article 2, section 81, is amended to read:

Subd. 16. [TAX REFUND OR RETURN PREPARERS; ELECTRONIC FILING; PAPER FILING FEE IMPOSED.] (a) A "tax refund or return preparer," as defined in section 289A.60, subdivision 13, paragraph (g), who prepared more than 500 Minnesota individual income tax returns for the prior calendar year must file all Minnesota individual income tax returns prepared for the current calendar year by electronic means.

(b) For tax returns prepared for the tax year beginning in 2001, the "500" in paragraph (a) is reduced to 250.

(c) For tax returns prepared for tax years beginning after December 31, 2001, the "500" in paragraph (a) is reduced to 100.

(d) Paragraph (a) does not apply to a return if the taxpayer has indicated on the return that the taxpayer did not want the return filed by electronic means.

(e) For each return that is not filed electronically by a tax refund or return preparer under this subdivision, including returns filed under paragraph (d), a paper filing fee of \$5 is imposed upon the preparer. The fee is collected from the preparer in the same manner as income tax. The fee does not apply to returns that the commissioner requires to be filed in paper form.

**[EFFECTIVE DATE.]** This section is effective for returns filed for tax years beginning after December 31, 2002.

Sec. 12. Minnesota Statutes 2002, section 290.091, subdivision 2, is amended to read:

Subd. 2. [DEFINITIONS.] For purposes of the tax imposed by this section, the following terms have the meanings given:

(a) "Alternative minimum taxable income" means the sum of the following for the taxable year:

(1) the taxpayer's federal alternative minimum taxable income as defined in section 55(b)(2) of the Internal Revenue Code;

(2) the taxpayer's itemized deductions allowed in computing federal alternative minimum taxable income, but excluding:

(i) the charitable contribution deduction under section 170 of the Internal Revenue Code to the extent that the deduction exceeds ~~1.3~~ 1.0 percent of adjusted gross income, as defined in section 62 of the Internal Revenue Code;

(ii) the medical expense deduction;

(iii) the casualty, theft, and disaster loss deduction; and

(iv) the impairment-related work expenses of a disabled person;

(3) for depletion allowances computed under section 613A(c) of the Internal Revenue Code, with respect to each property (as defined in section 614 of the Internal Revenue Code), to the extent not included in federal alternative minimum taxable income, the excess of the deduction for depletion allowable under section 611 of the Internal Revenue Code for the taxable year over the adjusted basis of the property at the end of the taxable year (determined without regard to the depletion deduction for the taxable year);

(4) to the extent not included in federal alternative minimum taxable income, the amount of the tax preference for intangible drilling cost under section 57(a)(2) of the Internal Revenue Code determined without regard to subparagraph (E);

(5) to the extent not included in federal alternative minimum taxable income, the amount of interest income as provided by section 290.01, subdivision 19a, clause (1); and

(6) the amount of addition required by section 290.01, subdivision 19a, 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 (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.

**[EFFECTIVE DATE.]** This section is effective for taxable years beginning after December 31, 2003.

Sec. 13. Minnesota Statutes 2002, section 298.018, subdivision 1, is amended to read:

Subdivision 1. [WITHIN THE TACONITE TAX-RELIEF ASSISTANCE AREA.] The proceeds of the tax paid under sections 298.015 to 298.017 on minerals and energy resources mined or extracted within the taconite ~~tax relief assistance~~ area defined in section ~~273.134, paragraph (b)~~ 273.134, shall be allocated as follows:

(1) five percent to the city or town within which the minerals or energy resources are mined or extracted;

(2) ten percent to the taconite municipal aid account to be distributed as provided in section 298.282;

(3) ten percent to the school district within which the minerals or energy resources are mined or extracted;

(4) 20 percent to a group of school districts comprised of those school districts wherein the mineral or energy resource was mined or extracted 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;

(5) 20 percent to the county within which the minerals or energy resources are mined or extracted;

(6) 20 percent to St. Louis county acting as the counties' fiscal agent to be distributed as provided in sections 273.134 to 273.136;

(7) five percent to the iron range resources and rehabilitation board for the purposes of section 298.22;

(8) five percent to the northeast Minnesota economic protection trust fund; and

(9) five percent to the taconite environmental protection fund.

The proceeds of the tax shall be distributed on July 15 each year.

Sec. 14. Minnesota Statutes 2002, section 298.018, subdivision 2, is amended to read:

Subd. 2. [~~OUTSIDE THE TACONITE TAX-RELIEF ASSISTANCE AREA.~~] The proceeds of the tax paid under sections 298.015 to 298.017 on minerals and energy resources mined or extracted outside of the taconite ~~tax relief assistance~~ area defined in section ~~273.134, paragraph (b) 273.1341~~, shall be deposited in the general fund.

Sec. 15. Minnesota Statutes 2002, section 298.22, subdivision 2, is amended to read:

Subd. 2. [IRON RANGE RESOURCES AND REHABILITATION BOARD.] There is hereby created the iron range resources and rehabilitation board, consisting of 13 members, five of whom are state senators appointed by the subcommittee on committees of the rules committee of the senate, and five of whom are representatives, appointed by the speaker of the house of representatives. The remaining members shall be appointed one each by the senate majority leader, the speaker of the house of representatives, and the governor and must be nonlegislators who reside in a ~~tax relief taconite assistance~~ area as defined in section ~~273.134, paragraph (b) 273.1341~~. The members shall be appointed in January of every odd-numbered year, except that the initial nonlegislator members shall be appointed by July 1, 1999, and shall serve until January of the next odd-numbered year. Vacancies on the board shall be filled in the same manner as the original members were chosen. At least a majority of the legislative members of the board shall be elected from state senatorial or legislative districts in which over 50 percent of the residents reside within a ~~tax relief taconite assistance~~ area as defined in section ~~273.134, paragraph (b) 273.1341~~. All expenditures and projects made by the commissioner of iron range resources and rehabilitation shall be consistent with the priorities established in subdivision 8 and shall first be submitted to the iron range resources and rehabilitation board for approval by a majority of the board of expenditures and projects for rehabilitation purposes as provided by this section, and the method, manner, and time of payment of all funds proposed to be disbursed shall be first approved or disapproved by the board. The board shall biennially make its report to the governor and the legislature on or before November 15 of each even-numbered year. The expenses of the board shall be paid by the state from the funds raised pursuant to this section.

Sec. 16. Minnesota Statutes 2002, section 298.22, subdivision 8, is amended to read:

Subd. 8. [SPENDING PRIORITY.] In making or approving any expenditures on programs or projects, the commissioner and the board shall give the highest priority to programs and projects that target relief to those areas of the taconite ~~tax relief taconite assistance~~ area as defined in section ~~273.134, paragraph (b) 273.1341~~, that have the largest percentages of job losses and population losses directly attributable to the economic downturn in the taconite industry since the 1980s. The commissioner and the board shall compare the 1980 population and employment figures with the 2000 population and employment figures, and shall specifically consider the job losses in 2000 and 2001 resulting from the closure of LTV Steel Mining Company, in making or approving expenditures consistent with this subdivision, as well as the areas of residence of persons who suffered job loss for which relief is to be targeted under this subdivision. This subdivision supersedes any other conflicting provisions of law and does not preclude the commissioner and the board from making expenditures for programs and projects in other areas.

Sec. 17. Minnesota Statutes 2002, section 298.2211, subdivision 1, is amended to read:

Subdivision 1. [PURPOSE; GRANT OF AUTHORITY.] In order to accomplish the legislative purposes specified in sections 469.142 to 469.165 and chapter 462C, within ~~tax relief areas~~ the taconite assistance area as defined in section ~~273.134~~ 273.1341, the commissioner of iron range resources and rehabilitation may exercise the

following powers: (1) all powers conferred upon a rural development financing authority under sections 469.142 to 469.149; (2) all powers conferred upon a city under chapter 462C; (3) all powers conferred upon a municipality or a redevelopment agency under sections 469.152 to 469.165; (4) all powers provided by sections 469.142 to 469.151 to further any of the purposes and objectives of chapter 462C and sections 469.152 to 469.165; and (5) all powers conferred upon a municipality or an authority under sections 469.174 to 469.177, 469.178, except subdivision 2 thereof, and 469.179, subject to compliance with the provisions of section 469.175, subdivisions 1, 2, and 3; provided that any tax increments derived by the commissioner from the exercise of this authority may be used only to finance or pay premiums or fees for insurance, letters of credit, or other contracts guaranteeing the payment when due of net rentals under a project lease or the payment of principal and interest due on or repurchase of bonds issued to finance a project or program, to accumulate and maintain reserves securing the payment when due on bonds issued to finance a project or program, or to provide an interest rate reduction program pursuant to section 469.012, subdivision 7. Tax increments and earnings thereon remaining in any bond reserve account after payment or discharge of any bonds secured thereby shall be used within one year thereafter in furtherance of this section or returned to the county auditor of the county in which the tax increment financing district is located. If returned to the county auditor, the county auditor shall immediately allocate the amount among all government units which would have shared therein had the amount been received as part of the other ad valorem taxes on property in the district most recently paid, in the same proportions as other taxes were distributed, and shall immediately distribute it to the government units in accordance with the allocation.

Sec. 18. Minnesota Statutes 2002, section 298.2211, subdivision 2, is amended to read:

Subd. 2. [AREA OF OPERATION.] Projects undertaken, developed, or financed pursuant to this section shall be located within the ~~tax relief~~ taconite assistance area defined in section ~~273.134, paragraph (b)~~ 273.1341.

Sec. 19. Minnesota Statutes 2002, section 298.2213, subdivision 3, is amended to read:

Subd. 3. [USE OF MONEY.] The money appropriated under this section may be used to provide loans, loan guarantees, interest buy-downs, and other forms of participation with private sources of financing, provided that a loan to a private enterprise must be for a principal amount not to exceed one-half of the cost of the project for which financing is sought, and the rate of interest on a loan must be no less than the lesser of eight percent or the rate of interest that is three percentage points less than a full faith and credit obligation of the United States government of comparable maturity, at the time that the loan is approved.

Money appropriated in this section must be expended only in or for the benefit of the ~~tax relief~~ taconite assistance area defined in section ~~273.134, paragraph (b)~~ 273.1341, and as otherwise provided in this section.

Sec. 20. Minnesota Statutes 2002, section 298.2214, subdivision 1, is amended to read:

Subdivision 1. [CREATION OF COMMITTEE; PURPOSE.] A committee is created to advise the commissioner of iron range resources and rehabilitation on providing higher education programs in the ~~tax relief~~ taconite assistance area defined in section ~~273.134, paragraph (b)~~ 273.1341. The committee is subject to section 15.059.

Sec. 21. Minnesota Statutes 2002, section 298.2214, subdivision 3, is amended to read:

Subd. 3. [ADVISORY FUNCTION.] The committee shall advise the commissioner regarding development of a contract with the state university system. The contract would require the system to provide courses within the ~~taconite tax relief~~ taconite assistance area defined in section 273.1341.

Sec. 22. Minnesota Statutes 2002, section 298.223, subdivision 1, is amended to read:

Subdivision 1. [CREATION; PURPOSES.] A fund called the taconite environmental protection fund is created for the purpose of reclaiming, restoring and enhancing those areas of northeast Minnesota located within ~~a tax relief~~ the taconite assistance area defined in section ~~273.134, paragraph (b)~~ 273.1341, that are adversely affected by the environmentally damaging operations involved in mining taconite and iron ore and producing iron ore concentrate and for the purpose of promoting the economic development of northeast Minnesota. The taconite environmental protection fund shall be used for the following purposes:

(a) to initiate investigations into matters the iron range resources and rehabilitation board determines are in need of study and which will determine the environmental problems requiring remedial action;

(b) reclamation, restoration, or reforestation of minelands not otherwise provided for by state law;

(c) local economic development projects including construction of sewer and water systems, and other public works located within ~~a tax relief~~ the taconite assistance area defined in section ~~273.134, paragraph (b)~~ 273.1341;

(d) monitoring of mineral industry related health problems among mining employees.

Sec. 23. Minnesota Statutes 2002, section 298.28, subdivision 7, is amended to read:

Subd. 7. [IRON RANGE RESOURCES AND REHABILITATION BOARD.] For the 1998 distribution, 6.5 cents per taxable ton shall be paid to the iron range resources and rehabilitation board for the purposes of section 298.22. That amount shall be increased in 1999 and subsequent years in the same proportion as the increase in the implicit price deflator as provided in section 298.24, subdivision 1. The amount distributed pursuant to this subdivision shall be expended within or for the benefit of ~~a tax relief~~ the taconite assistance area defined in section ~~273.134, paragraph (b)~~ 273.1341. No part of the fund provided in this subdivision may be used to provide loans for the operation of private business unless the loan is approved by the governor.

Sec. 24. Minnesota Statutes 2002, 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), (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~~ taconite assistance area defined in section ~~273.134~~ 273.1341.

(d) There shall be distributed to each school district 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. 25. Minnesota Statutes 2002, section 298.292, subdivision 2, is amended to read:

Subd. 2. [USE OF MONEY.] Money in the northeast Minnesota economic protection trust fund may be used for the following purposes:

(1) to provide loans, loan guarantees, interest buy-downs and other forms of participation with private sources of financing, but a loan to a private enterprise shall be for a principal amount not to exceed one-half of the cost of the project for which financing is sought, and the rate of interest on a loan shall be no less than the lesser of eight percent or an interest rate three percentage points less than a full faith and credit obligation of the United States government of comparable maturity, at the time that the loan is approved;

(2) to fund reserve accounts established to secure the payment when due of the principal of and interest on bonds issued pursuant to section 298.2211;

(3) to pay in periodic payments or in a lump sum payment any or all of the interest on bonds issued pursuant to chapter 474 for the purpose of constructing, converting, or retrofitting heating facilities in connection with district heating systems or systems utilizing alternative energy sources; and

(4) to invest in a venture capital fund or enterprise that will provide capital to other entities that are engaging in, or that will engage in, projects or programs that have the purposes set forth in subdivision 1. No investments may be made in a venture capital fund or enterprise unless at least two other unrelated investors make investments of at least \$500,000 in the venture capital fund or enterprise, and the investment by the northeast Minnesota economic protection trust fund may not exceed the amount of the largest investment by an unrelated investor in the venture capital fund or enterprise. For purposes of this subdivision, an "unrelated investor" is a person or entity that is not related to the entity in which the investment is made or to any individual who owns more than 40 percent of the value of the entity, in any of the following relationships: spouse, parent, child, sibling, employee, or owner of an interest in the entity that exceeds ten percent of the value of all interests in it. For purposes of determining the limitations under this clause, the amount of investments made by an investor other than the northeast Minnesota economic protection trust fund is the sum of all investments made in the venture capital fund or enterprise during the period beginning one year before the date of the investment by the northeast Minnesota economic protection trust fund.

Money from the trust fund shall be expended only in or for the benefit of the ~~tax relief~~ taconite assistance area defined in section ~~273.134, paragraph (b)~~ 273.1341.

Sec. 26. Minnesota Statutes 2002, section 298.293, is amended to read:

298.293 [EXPENDING FUNDS.]

The funds provided by section 298.28, subdivision 11, relating to the northeast Minnesota economic protection trust fund, except money expended pursuant to Laws 1982, Second Special Session, chapter 2, sections 8 to 14, shall be expended only in an amount that does not exceed the sum of the net interest, dividends, and earnings arising from the investment of the trust for the preceding 12 calendar months from the date of the authorization plus, for fiscal year 1983, \$10,000,000 from the corpus of the fund. The funds may be spent only in or for the benefit of ~~those areas that are tax relief areas~~ the taconite assistance area as defined in section ~~273.134, paragraph (b)~~ 273.1341. If during any year the taconite property tax account under sections 273.134 to 273.136 does not contain sufficient funds to pay the property tax relief specified in Laws 1977, chapter 423, article X, section 4, there is appropriated from this trust fund to the relief account sufficient funds to pay the relief specified in Laws 1977, chapter 423, article X, section 4.



Sec. 27. Minnesota Statutes 2002, section 298.298, is amended to read:

298.298 [LONG-RANGE PLAN.]

Consistent with the policy established in sections 298.291 to 298.298, the iron range resources and rehabilitation board shall prepare and present to the governor and the legislature by January 1, 1984 a long-range plan for the use of the northeast Minnesota economic protection trust fund for the economic development and diversification of the ~~tax relief taconite assistance~~ area defined in section ~~273.134, paragraph (b)~~ 273.1341. The iron range resources and rehabilitation board shall, before November 15 of each even numbered year, prepare a report to the governor and legislature updating and revising this long-range plan and reporting on the iron range resources and rehabilitation board's progress on those matters assigned to it by law. After January 1, 1984, no project shall be approved by the iron range resources and rehabilitation board which is not consistent with the goals and objectives established in the long-range plan.

Sec. 28. Minnesota Statutes 2002, section 429.101, subdivision 1, is amended to read:

Subdivision 1. [ORDINANCES.] (a) In addition to any other method authorized by law or charter, the governing body of any municipality may provide for the collection of unpaid special charges for all or any part of the cost of:

- (1) snow, ice, or rubbish removal from sidewalks;
- (2) weed elimination from streets or private property;
- (3) removal or elimination of public health or safety hazards from private property, excluding any structure included under the provisions of sections 463.15 to 463.26;
- (4) installation or repair of water service lines, street sprinkling or other dust treatment of streets;
- (5) the trimming and care of trees and the removal of unsound trees from any street;
- (6) the treatment and removal of insect infested or diseased trees on private property, the repair of sidewalks and alleys;
- (7) the operation of a street lighting system; ~~or~~
- (8) the operation and maintenance of a fire protection or a pedestrian skyway system; or
- (9) reinspections which find noncompliance after the due date for compliance with an order to correct a municipal housing maintenance code violation;

as a special assessment against the property benefited.

(b) The council may by ordinance adopt regulations consistent with this section to make this authority effective, including, at the option of the council, provisions for placing primary responsibility upon the property owner or occupant to do the work personally (except in the case of street sprinkling or other dust treatment, alley repair, tree trimming, care, and removal or the operation of a street lighting system) upon notice before the work is undertaken, and for collection from the property owner or other person served of the charges when due before unpaid charges are made a special assessment.

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

Sec. 29. Minnesota Statutes 2002, section 473.704, subdivision 17, as amended by Laws 2003, chapter 127, article 13, section 4, is amended to read:

Subd. 17. [ENTRY TO PROPERTY.] (a) Members of the commission, its officers, and employees, while on the business of the commission, may enter upon any property within or outside the district at reasonable times to determine the need for control programs. They may take all necessary and proper steps for the control programs on property within the district as the director of the commission may designate. Subject to the paramount control of the county and state authorities, commission members and officers and employees of the commission may enter upon any property and clean up any stagnant pool of water, the shores of lakes and streams, and other breeding places for mosquitoes within the district. The commission may apply insecticides approved by the director to any area within or outside the district that is found to be a breeding place for mosquitoes. The commission shall give reasonable notification to the governing body of the local unit of government prior to applying insecticides outside of the district on land located within the jurisdiction of the local unit of government. The commission shall not enter upon private property if the owner objects except (1) to monitor for disease-bearing mosquitoes, ticks, or black gnats, or (2) for control of mosquito species capable of carrying a human disease in the local area of a human disease outbreak regardless of whether there has been an occurrence of the disease in a human being. The commission shall make a reasonable attempt to contact an objecting owner before entering on the owner's private property.

(b) The commissioner of natural resources must approve mosquito control plans or make modifications as the commissioner of natural resources deems necessary for the protection of public water, wild animals, and natural resources before control operations are started on state lands administered by the commissioner of natural resources.

Sec. 30. Laws 1998, chapter 389, article 16, section 35, subdivision 1, as amended by Laws 2001, First Special Session chapter 5, article 20, section 19, is amended to read:

Subdivision 1. [BAT STUDY.] \$100,000 is appropriated from the general fund for fiscal year 1999 to the legislative coordinating commission to study alternative methods of taxing business. The appropriations under this section and under Laws 1997, chapter 231, article 5, section 18, subdivision 3, are available in fiscal years 2000 and 2001. Any portion of this appropriation that cancels in 2001 is appropriated in 2002 and is available until June 30, 2003. The date for completion of this study is extended through December 31, 2004, and the portion of the appropriation encumbered by the contracts between the legislative coordinating commission and the department of revenue and between the department of revenue and the University of Minnesota may be spent during the 2004-2005 biennium to pay obligations under the contracts.

Sec. 31. [TRANSFER OF ENDOWMENT FUNDS.]

On July 1, 2003, the commissioner of finance shall transfer the tobacco use prevention and local public health endowment fund and the medical education endowment fund to the general fund.

Sec. 32. [BUDGET RESERVE ADJUSTMENT.]

If, prior to July 1, 2003, on the basis of the February 2003 forecast and revenue and expenditure measures enacted into law in the 2003 regular and special legislative sessions, the commissioner of finance determines there will be a negative unrestricted budgetary balance for the biennium ending June 30, 2005, the commissioner shall reduce the July 1, 2004, appropriation to the budget reserve account in Minnesota Statutes, section 16A.152, subdivision 1b, by the amount necessary to balance revenues and expenditures in the biennium ending June 30, 2005.

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

## Sec. 33. [TEMPORARY STATE FISCAL RELIEF.]

Any temporary state fiscal relief received under Title VI of the Jobs Growth and Tax Relief Reconciliation Act of 2003 is deposited in the general fund.

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

## Sec. 34. [APPROPRIATION.]

(a) \$100,000 in fiscal year 2004 and \$100,000 in fiscal year 2005 are appropriated from the general fund to the commissioner of revenue to make grants to one or more nonprofit organizations, qualifying under section 501(c)(3) of the Internal Revenue Code of 1986, to coordinate, facilitate, encourage, and aid in the provision of taxpayer assistance services. This appropriation does not become a part of the base.

(b) "Taxpayer assistance services" mean accounting and tax preparation services provided by volunteers to low-income and disadvantaged Minnesota residents to help them file federal and state income tax returns and Minnesota property tax refund claims and to provide personal representation before the department of revenue and Internal Revenue Service.

## Sec. 35. [APPROPRIATION; COST OF ADMINISTRATION.]

\$200,000 in fiscal year 2004 is appropriated from the general fund to the commissioner of revenue for the cost of administering tax law changes enacted in 2003.

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

Delete the title and insert:

"A bill for an act relating to the financing and operation of state and local government; providing for job opportunity building zones; providing for a biotechnology and health services industry zone; changing income, sales and use, motor vehicle sales, property, cigarette and tobacco, liquor, mortgage registry and deed, and other taxes; updating references to the Internal Revenue Code; changing accelerated sales tax liability provisions and extending the requirements to other taxes; changing or providing property tax and sales tax exemptions; requiring payment of certain lawful gambling taxes; altering the computation and payments of intergovernmental aids; imposing levy limits; modifying truth in taxation requirements; providing economic development incentives; changing tax increment financing requirements; providing powers to certain cities and counties; authorizing a special taxing district; providing for collection of certain debts and charges; providing for payments into and transfers among certain funds and accounts; providing for distribution of certain funds; making certain changes relating to the taconite assistance area; authorizing municipalities to collect certain charges as a special assessment; changing certain requirements relating to the metropolitan mosquito control district; regulating tax preparers; providing for studies; providing penalties; appropriating money; amending Minnesota Statutes 2002, sections 3.986, subdivision 4; 4A.02; 16A.152, subdivisions 1, 1b; 18B.07, subdivision 2, as amended; 62J.692, subdivision 4, by adding a subdivision; 270.60, subdivision 4; 270A.03, subdivision 2; 270A.07, subdivisions 1, 2; 272.02, subdivision 25, by adding subdivisions; 272.029, by adding a subdivision; 273.11, subdivision 13; 273.13, subdivision 25; 273.1341, as added; 273.1398, subdivisions 4a, 4c, 6, 8; 275.025, subdivision 1; 275.065, subdivision 3; 275.066; 275.70, subdivision 5; 275.71, subdivisions 2, 4, 5, 6; 275.72, subdivision 3; 275.73, subdivision 2; 275.74, subdivision 3; 276A.01, subdivision 2; 287.12; 287.29, subdivision 1; 287.31, by adding a subdivision; 289A.02, subdivision 7, as amended; 289A.08, subdivision 16, as amended; 289A.20, subdivision 4; 289A.31, subdivision 7; 289A.60, subdivision 15; 290.01, subdivisions 19, as amended, 19b, 29, 31, as amended; 290.06, subdivision 2c, by adding subdivisions; 290.067, subdivision 1; 290.0671, subdivision 1; 290.091,

subdivision 2; 290.0921, subdivision 3; 290.0922, subdivisions 2, 3; 290A.03, subdivision 15, as amended; 297A.68, by adding subdivisions; 297A.70, subdivisions 8, 10, 14, 16; 297A.71, by adding a subdivision; 297B.03; 297F.09, subdivisions 1, 2, by adding a subdivision; 297F.10, subdivision 1; 297G.01, by adding a subdivision; 297G.03, subdivision 1; 297G.09, by adding a subdivision; 298.018, subdivisions 1, 2; 298.22, subdivisions 2, 8; 298.2211, subdivisions 1, 2; 298.2213, subdivision 3; 298.2214, subdivisions 1, 3; 298.223, subdivision 1; 298.28, subdivisions 7, 11; 298.292, subdivision 2; 298.293; 298.298; 349.16, by adding a subdivision; 429.101, subdivision 1; 469.169, by adding a subdivision; 469.174, subdivisions 6, as amended, 10, by adding a subdivision; 469.1763, subdivisions 2, 4; 469.177, subdivision 1; 473.167, subdivision 3; 473.249, subdivision 1; 473.253, subdivision 1; 473.704, subdivision 17, as amended; 474A.061, subdivision 1, as amended; 477A.011, subdivisions 34, 36, by adding subdivisions; 477A.013, subdivisions 8, 9; 477A.03, subdivision 2, by adding subdivisions; 611.27, subdivisions 13, 15; Laws 1980, chapter 511, section 1, subdivision 2, as amended; Laws 1980, chapter 511, section 2, as amended; Laws 1993, chapter 375, article 9, section 46, subdivision 2, as amended; Laws 1998, chapter 389, article 16, section 35, subdivision 1, as amended; Laws 1999, chapter 243, article 4, section 19, as amended; Laws 2001, First Special Session chapter 5, article 12, section 95, as amended; Laws 2002, chapter 377, article 3, section 15; 2003 First Special Session H. F. No. 1, article 2, section 118, subdivision 6; proposing coding for new law in Minnesota Statutes, chapters 270; 469; 477A; repealing Minnesota Statutes 2002, sections 37.13, subdivision 2; 272.02, subdivision 26; 273.138, subdivisions 2, 3, 6; 273.1398, subdivisions 2, 2c, 4, 4d; 273.166; 275.065, subdivision 3a; 325E.112, subdivision 2a; 477A.011, subdivision 37; 477A.0121; 477A.0122; 477A.0123; 477A.0132; 477A.03, subdivisions 3, 4; 477A.06; 477A.07."

The motion prevailed and the amendment was adopted.

Abrams moved to amend H. F. No. 7, as amended, as follows:

Page 104, line 10, delete "a particular year" and insert "calendar year 2003"

Page 104, line 12, delete everything after the first "for" and insert "calendar year 2000."

Page 104, line 13, delete everything through the comma

Page 115, line 22, delete "2" and insert "2b" and delete "(c)" and insert "(a)"

Page 120, line 14, delete "4."

Page 129, after line 12, insert:

"Section 1. Minnesota Statutes 2002, section 168.27, subdivision 4a, is amended to read:

Subd. 4a. [LIMITED USED VEHICLE LICENSE.] (a) A limited used vehicle license shall be provided to a nonprofit charitable organization that qualifies for tax exemption under section 501(c)(3) of the Internal Revenue Code whose primary business in the transfer of vehicles is to raise funds for the corporation, who acquires vehicles for sale through donation, and who uses a licensed motor vehicle auctioneer to sell vehicles to ~~retail customers~~ individuals, or who sells and reassigns vehicles to a licensed motor vehicle dealer. This license does not apply to educational institutions whose primary purpose is to train students in the repair, maintenance, and sale of motor vehicles. A limited used vehicle license allows the organization to accept assignment of vehicles without the requirement to transfer title as provided in section 168A.10 until sold or donated to a retail customer an individual. Limited used vehicle license holders are not entitled to dealer plates, and shall report all vehicles held for resale to the department of public safety in a manner and time prescribed by the department.

(b) A nonprofit charitable organization with a limited used vehicle license shall, within 90 days after a vehicle donation, send a donor a receipt for the donated vehicle which states its model; age; level of use, including, but not limited to, the mileage; its condition, and whether a visual inspection disclosed any readily apparent defects that would materially reduce the value of the property. The receipt must include the date of the donation and must state whether the vehicle was operable or inoperable at the time of the donation.

**[EFFECTIVE DATE.] This section is effective for sales and transfers made after June 30, 2003."**

Page 135, after line 23, insert:

"Sec. 10. Minnesota Statutes 2002, section 297B.01, subdivision 7, is amended to read:

Subd. 7. [SALE, SELLS, SELLING, PURCHASE, PURCHASED, OR ACQUIRED.] (a) "Sale," "sells," "selling," "purchase," "purchased," or "acquired" means any transfer of title of any motor vehicle, whether absolutely or conditionally, for a consideration in money or by exchange or barter for any purpose other than resale in the regular course of business.

(b) Any motor vehicle utilized by the owner only by leasing such vehicle to others or by holding it in an effort to so lease it, and which is put to no other use by the owner other than resale after such lease or effort to lease, shall be considered property purchased for resale.

(c) The terms also shall include any transfer of title or ownership of a motor vehicle by other means, for or without consideration, except that these terms shall not include:

(1) the acquisition of a motor vehicle by inheritance from or by bequest of, a decedent who owned it;

(2) the transfer of a motor vehicle which was previously licensed in the names of two or more joint tenants and subsequently transferred without monetary consideration to one or more of the joint tenants;

(3) the transfer of a motor vehicle by way of gift between individuals, or gift from a limited used vehicle dealer licensed under section 168.27, subdivision 4a, to an individual, when the transfer is with no monetary or other consideration or expectation of consideration and the parties to the transfer submit an affidavit to that effect at the time the title transfer is recorded;

(4) the voluntary or involuntary transfer of a motor vehicle between a husband and wife in a divorce proceeding; or

(5) the transfer of a motor vehicle by way of a gift to an organization that is exempt from federal income taxation under section 501(c)(3) of the Internal Revenue Code, as amended through December 31, 1996, when the motor vehicle will be used exclusively for religious, charitable, or educational purposes.

**[EFFECTIVE DATE.] This section is effective for sales made after June 30, 2007."**

Pages 149 and 150, delete section 10 and insert:

"Sec. 10. Minnesota Statutes 2002, section 297F.10, subdivision 1, as amended by Laws 2003, chapter 128, article 1, section 155, if enacted, is amended to read:

Subdivision 1. [TAX AND USE TAX ON CIGARETTES.] Revenue received from cigarette taxes, as well as related penalties, interest, license fees, and miscellaneous sources of revenue shall be deposited by the commissioner in the state treasury and credited as follows:

~~(a) first to the general obligation special tax bond debt service account in each fiscal year the amount required to increase the balance on hand in the account on each December 1 to an amount equal to the full amount of principal and interest to come due on all outstanding bonds whose debt service is payable primarily from the proceeds of the tax to and including the second following July 1; and~~

~~(b) after the requirements of paragraph (a) have been met,~~

~~(1) the revenue produced by 3.25 mills of the tax on cigarettes weighing not more than three pounds a thousand and 6.5 mills of the tax on cigarettes weighing more than three pounds a thousand must be credited to the academic health center special revenue fund hereby created and is annually appropriated to the board of regents at the University of Minnesota for academic health center funding at the University of Minnesota; and~~

~~(2) the revenue produced by 1.25 mills of the tax on cigarettes weighing not more than three pounds a thousand and 2.5 mills of the tax on cigarettes weighing more than three pounds a thousand must be credited to the medical education and research costs account hereby created in the special revenue fund and is annually appropriated to the commissioner of health for distribution under section 62J.692, subdivision 4; and~~

~~(3) the balance of the revenues derived from taxes, penalties, and interest (under this chapter) and from license fees and miscellaneous sources of revenue shall be credited to the general fund.~~

**[EFFECTIVE DATE.]** This section is effective for all revenues received after June 30, 2003."

Page 170, after line 33, insert:

"Sec. 4. Minnesota Statutes 2002, section 16A.152, subdivision 2, is amended to read:

Subd. 2. [ADDITIONAL REVENUES; PRIORITY.] If on the basis of a forecast of general fund revenues and expenditures, the commissioner of finance determines that there will be a positive unrestricted budgetary general fund balance at the close of the biennium, the commissioner of finance must allocate money to ~~the budget reserve until the total amount in the account equals \$653,000,000~~ the following accounts and purposes in priority order:

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

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

The amounts necessary to meet the requirements of this section are appropriated from the general fund within two weeks after the forecast is released."

Page 182, line 3, delete "2003" and insert "2002"

Page 194, after line 9, insert:

"Sec. 31. Laws 2001, First Special Session chapter 5, article 20, section 22, is amended to read:

Sec. 22. [BUDGET RESERVE INCREASE.]

The commissioner of finance shall transfer the amount necessary to increase the budget reserve account in the general fund to \$653,000,000 on July 1, 2001. ~~On July 1, 2003, the commissioner of finance shall transfer \$31,000,000 to the budget reserve account in the general fund.~~ The amounts necessary for this purpose are appropriated from the general fund."

Page 194, line 20, after "balance" insert "in the general fund"

Page 194, line 30, delete "is" and insert "must be"

Page 194, line 31, after "the" insert "state treasury and credited to the"

ReNUMBER the sections in sequence and correct the internal references

Amend the title accordingly

The motion prevailed and the amendment was adopted.

Rukavina; Anderson, I.; Dill; Sertich; Solberg and Dorman moved to amend H. F. No. 7, as amended, as follows:

Page 100, lines 15 to 22, delete the new language

Page 104, line 4, after the semicolon, insert "and"

Page 104, line 6, delete "; and" and insert a period

Page 104, delete lines 7 to 9

Page 116, delete lines 35 and 36

Page 117, delete line 1

Page 117, line 3, delete "(6)" and insert "(5)"

A roll call was requested and properly seconded.

The question was taken on the Rukavina et al amendment and the roll was called. There were 55 yeas and 77 nays as follows:

Those who voted in the affirmative were:

|              |            |             |            |          |         |
|--------------|------------|-------------|------------|----------|---------|
| Anderson, I. | Dorn       | Howes       | Lieder     | Paymar   | Thao    |
| Atkins       | Eken       | Huntley     | Mahoney    | Pelowski | Thissen |
| Bernardy     | Ellison    | Jacobson    | Mariani    | Peterson | Walker  |
| Biernat      | Entenza    | Jaros       | Marquart   | Pugh     | Walz    |
| Carlson      | Goodwin    | Johnson, S. | Mullery    | Rukavina | Wasiluk |
| Clark        | Hausman    | Juhnke      | Murphy     | Sertich  |         |
| Davids       | Heidgerken | Kelliher    | Nelson, M. | Sieben   |         |
| Davnie       | Hilstrom   | Koenen      | Opatz      | Slawik   |         |
| Dill         | Hilty      | Latz        | Otremba    | Smith    |         |
| Dorman       | Hornstein  | Lesch       | Otto       | Solberg  |         |

Those who voted in the negative were:

|              |            |             |            |            |              |
|--------------|------------|-------------|------------|------------|--------------|
| Abeler       | Cox        | Hackbarth   | Lenczewski | Ozment     | Strachan     |
| Abrams       | DeLaForest | Harder      | Lindgren   | Paulsen    | Swenson      |
| Adolphson    | Demmer     | Holberg     | Lindner    | Penas      | Sykora       |
| Anderson, B. | Dempsey    | Hoppe       | Lipman     | Powell     | Tingelstad   |
| Anderson, J. | Eastlund   | Johnson, J. | Magnus     | Rhodes     | Urdahl       |
| Beard        | Erhardt    | Kielkucki   | McNamara   | Ruth       | Vandevveer   |
| Blaine       | Erickson   | Klinzing    | Meslow     | Samuelson  | Wardlow      |
| Borrell      | Finstad    | Knoblach    | Nelson, C. | Seagren    | Westerberg   |
| Boudreau     | Fuller     | Kohls       | Nelson, P. | Seifert    | Westrom      |
| Bradley      | Gerlach    | Krinkie     | Nornes     | Severson   | Wilkin       |
| Brod         | Greiling   | Kuisle      | Olsen, S.  | Simpson    | Zellers      |
| Buesgens     | Gunther    | Lanning     | Olson, M.  | Soderstrom | Spk. Sviggum |
| Cornish      | Haas       | Larson      | Osterman   | Stang      |              |

The motion did not prevail and the amendment was not adopted.

Dorman, Fuller, Heidgerken, Marquart, Buesgens and Nornes moved to amend H. F. No. 7, as amended, as follows:

Page 99, after line 15, insert:

"(s) The city aid base for a city with a population of 5,000 or more but less than 10,000 according to the 2000 census, which is a county seat outside of the seven-county metropolitan area is increased in 2004 and thereafter and the maximum amount of aid it may receive under section 477A.013, subdivision 9, is also increased, in calendar year 2004 only, by an amount equal to (1) the difference between its 2000 population and 2,500, multiplied by (2) 60."

Pages 100 to 102, delete sections 7 and 8, and insert:

"Sec. 7. Minnesota Statutes 2002, section 477A.013, subdivision 8, is amended to read:

Subd. 8. [CITY FORMULA AID.] In calendar year 1994 and subsequent years, the formula aid for a city is equal to the need increase percentage multiplied by the difference between (1) the city's revenue need multiplied by its population, and (2) the sum of the city's net tax capacity multiplied by the tax effort rate, and 50 percent of the taconite aids under section 298.28 and 298.282. No city may have a formula aid amount less than zero. The need increase percentage must be the same for all cities.

~~Notwithstanding the prior sentence, in 1995 only, the need increase percentage for a city shall be twice the need increase percentage applicable to other cities if:~~

~~(1) the city, in 1992 or 1993, transferred an amount from governmental funds to their sewer and water fund, and~~

~~(2) the amount transferred exceeded their net levy for taxes payable in the year in which the transfer occurred.~~

The applicable need increase percentage ~~or percentages~~ must be calculated by the department of revenue so that the total of the aid under subdivision 9 equals the total amount available for aid under section 477A.03 after the subtraction under section 477A.014, subdivisions 4 and 5.

**[EFFECTIVE DATE.]** This section is effective for aids payable in 2004 and thereafter.



Sec. 8. Minnesota Statutes 2002, 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. For aids payable in 2004 only, the total aid for a city with a population less than 2,500, may not be less than the amount it was certified to receive in 2003 minus the greater of (1) the reduction in 2003 to this aid payment under this article, or (2) five percent of its 2003 certified aid amount.~~

(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. For aids payable in 2002 only, the total aid for any city, except a first class city, shall not exceed 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, plus (3) its total aid in the previous year under this section. For aids payable in 2004 and thereafter, the total aid for a city with a population of 2,500 or more may not be less than the difference between (1) the amount it received under this subdivision in the previous year after any reductions in 2003 under this article and (2) ten percent of its net levy in the year prior to the aid distribution. For aids payable in 2005 and thereafter, the total aid for a city with a population of 2,500 or less may not be less than the difference between (1) the amount it received under this subdivision in the previous year and (2) five percent of its 2003 certified aid amount.~~

[EFFECTIVE DATE.] This section is effective for aids payable in 2004 and thereafter."

Page 103, line 25, delete "\$429,000,000" and insert "\$500,000,000"

Page 103, line 27, delete "increased to \$437,052,000" and insert "equal to the lesser of (1) the amount needed to fully fund the formula if the need increase percentage is equal to 100 percent; or (2) the amount certified to be paid in the previous year multiplied by 1.05"

Pages 105 to 106, delete section 13, and insert:

"Sec. 13. [2004 CITY AID REDUCTIONS.]

The commissioner of revenue shall compute an aid reduction amount for 2004 for each city as provided in this section.

Each cities reimbursements pursuant to Minnesota Statutes, section 273.1384 are reduced in 2004 by an amount equal to the reduction to these reimbursements in 2003 under this article. To the extent that sufficient information is available on each payment date in 2004, the commissioner of revenue shall pay the reimbursements reduced under this section in equal installments on the payment dates provided in law.

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

Page 113, line 28, delete ", divided by the total aid paid to all counties under"

Page 113, line 29, delete everything before the semicolon

Page 114, line 11, delete "\$100,500,000" and insert "\$115,500,000"

Page 114, line 27, delete "\$105,000,000" and insert "\$120,000,000"

Page 118, line 25, delete "5.689 percent" and insert "four percent"

Page 126, after line 9, insert:

"(c) The adjusted levy limit base under paragraphs (b) and (c) is multiplied by:

(1) one plus a percentage equal to the percentage increase in number of households, if any, for the most recent 12-month period for which data is available; and

(2) 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 is available."

Page 195, after line 17, insert:

## "ARTICLE 12

### RACE TRACK GAMING

Section 1. Minnesota Statutes 2002, section 240.13, is amended by adding a subdivision to read:

Subd. 5a. [PURSES; GAMING MACHINES.] From the commission received by a licensee pursuant to a gaming machine location contract entered into under section 349A.17, the licensee must set aside an amount equal to not less than 7.25 percent of the adjusted gross gaming machine revenues as defined under chapter 349A, for purses for live horse races conducted by the licensee. Purse payments made pursuant to this subdivision are in addition to purse payments otherwise established by law or contract. Twenty percent of the money set aside for purses pursuant to this subdivision shall be transferred to the commission and used for the purposes in section 240.18, subdivisions 2, paragraph (d), and 3, paragraph (b), subject to the proportionality requirement in section 240.18, subdivision 1. The licensee and the horseperson's organization representing the majority of horsepersons who have raced at the racetrack during the preceding 12 months may negotiate percentages different from those stated in this section if the agreement is in writing and filed with the racing commission.

Sec. 2. [297A.651] [LOTTERY GAMING MACHINES; IN-LIEU TAX.]

Adjusted gross revenue from the operation of gaming machines authorized under chapter 349A are exempt from the tax imposed under section 297A.62. The state lottery must on or before the 20th day of each month transmit to the commissioner an amount equal to the adjusted gross revenue from the operation of gaming machines, as defined in section 349A.01, for the previous month multiplied by (1) until June 30, 2005, 55.5 percent, (2) from July 1, 2005, to June 30, 2007, 31.5 percent, and (3) on and after July 1, 2007, 40 percent. The commissioner shall deposit the money transmitted under this paragraph in the state treasury in the general fund. Of the money deposited into the general fund under this section, the following amounts are annually appropriated:

(1) an amount equal to 2.5 percent of the adjusted gross revenue from the operation of gaming machines is annually appropriated to the commissioner of human services for:

(i) programs for the treatment of compulsive gamblers under section 245.98, subdivision 2; and

(ii) reimbursements to counties for their costs of screening offenders for compulsive gambling under section 609.115, subdivision 9, paragraph (c);

(2) an amount equal to one percent of the adjusted gross revenue from the operation of gaming machines is annually appropriated to the commissioner of corrections to defray the costs incurred by the department, or community corrections counties, of conducting presentence investigations and supervised release of offenders who score five or more on the South Oaks gambling screen;

(3) an amount equal to one percent of the adjusted gross revenue from the operation of gaming machines is annually appropriated to the district courts; and

(4) an amount equal to 0.5 percent of adjusted gross revenue from the operation of gaming machines is appropriated to the board of public defense.

Sec. 3. Minnesota Statutes 2002, section 299L.07, subdivision 2, is amended to read:

Subd. 2. [EXCLUSIONS.] Notwithstanding subdivision 1, a gambling device:

(1) may be sold by a person who is not licensed under this section, if the person (i) is not engaged in the trade or business of selling gambling devices, and (ii) does not sell more than one gambling device in any calendar year;

(2) may be sold by the governing body of a federally recognized Indian tribe described in subdivision 2a, paragraph (b), clause (1), which is not licensed under this section, if (i) the gambling device was operated by the Indian tribe, (ii) the sale is to a distributor licensed under this section, and (iii) the licensed distributor notifies the commissioner of the purchase, in the same manner as is required when the licensed distributor ships a gambling device into Minnesota;

(3) may be possessed by a person not licensed under this section if the person holds a permit issued under section 299L.08; ~~and~~

(4) may be possessed by a state agency, with the written authorization of the director, for display or evaluation purposes only and not for the conduct of gambling; and

(5) may be possessed by the state lottery as authorized under chapter 349A.

Sec. 4. Minnesota Statutes 2002, section 299L.07, subdivision 2a, is amended to read:

Subd. 2a. [RESTRICTIONS.] (a) A manufacturer licensed under this section may sell, offer to sell, lease, or rent, in whole or in part, a gambling device only to a distributor licensed under this section or to the state lottery as authorized under chapter 349A.

(b) A distributor licensed under this section may sell, offer to sell, market, rent, lease, or otherwise provide, in whole or in part, a gambling device only to:

(1) the governing body of a federally recognized Indian tribe that is authorized to operate the gambling device under a tribal state compact under the Indian Gaming Regulatory Act, Public Law ~~Number~~ 100-497, and future amendments to it;

(2) a person for use in the person's dwelling for display or amusement purposes in a manner that does not afford players an opportunity to obtain anything of value;

- (3) another distributor licensed under this section; ~~or~~
- (4) a person in another state who is authorized under the laws of that state to possess the gambling device; or
- (5) the state lottery as authorized under chapter 349A.

Sec. 5. Minnesota Statutes 2002, section 340A.410, subdivision 5, is amended to read:

Subd. 5. [GAMBLING PROHIBITED.] (a) Except as otherwise provided in this subdivision, no retail establishment licensed to sell alcoholic beverages may keep, possess, or operate, or permit the keeping, possession, or operation on the licensed premises of dice or any gambling device as defined in section 349.30, or permit gambling therein.

(b) Gambling equipment may be kept or operated and raffles conducted on licensed premises and adjoining rooms when the use of the gambling equipment is authorized by (1) chapter 349, (2) a tribal ordinance in conformity with the Indian Gaming Regulatory Act, Public Law ~~Number~~ 100-497, or (3) a tribal-state compact authorized under section 3.9221.

(c) Lottery tickets may be purchased and sold within the licensed premises as authorized by the director of the lottery under chapter 349A.

(d) Dice may be kept and used on licensed premises and adjoining rooms as authorized by section 609.761, subdivision 4.

(e) Gambling devices may be operated on the premises of a licensed racetrack as authorized by chapter 349A.

Sec. 6. Minnesota Statutes 2002, section 349A.01, subdivision 10, is amended to read:

Subd. 10. [LOTTERY PROCUREMENT CONTRACT.] "Lottery procurement contract" means a contract to provide lottery products, gaming machines, maintenance of gaming machines, computer hardware and software used to monitor sales of lottery tickets and gaming machine plays, and lottery tickets. "Lottery procurement contract" does not include a contract to provide an annuity or prize payment agreement or materials, supplies, equipment, or services common to the ordinary operation of a state agency.

Sec. 7. Minnesota Statutes 2002, section 349A.01, is amended by adding a subdivision to read:

Subd. 14. [GAMING MACHINE.] "Gaming machine" means any machine in which a coin token or other currency is deposited to play a game that uses a video display and microprocessors or an electromechanical device with a spinning reel.

Sec. 8. Minnesota Statutes 2002, section 349A.01, is amended by adding a subdivision to read:

Subd. 15. [GAMING MACHINE GAME.] "Gaming machine game" means a game operated by a gaming machine as authorized by the director.

Sec. 9. Minnesota Statutes 2002, section 349A.01, is amended by adding a subdivision to read:

Subd. 16. [GAMING MACHINE PLAY.] "Gaming machine play" means an electronic record that proves participation in a gaming machine game.

Sec. 10. Minnesota Statutes 2002, section 349A.01, is amended by adding a subdivision to read:

Subd. 17. [ADJUSTED GROSS GAMING MACHINE REVENUE.] "Adjusted gross gaming machine revenue" means the sum of all money received by the lottery for gaming machine plays, less the amount paid out in prizes for gaming machine games.

Sec. 11. Minnesota Statutes 2002, section 349A.10, subdivision 3, is amended to read:

Subd. 3. [LOTTERY OPERATIONS.] (a) The director shall establish a lottery operations account in the lottery fund. The director shall pay all costs of operating the lottery, including payroll costs or amounts transferred to the state treasury for payroll costs, but not including lottery prizes, from the lottery operating account. The director shall credit to the lottery operations account amounts sufficient to pay the operating costs of the lottery.

(b) Except as provided in paragraph (e), the director may not credit in any fiscal year thereafter amounts to the lottery operations account which when totaled exceed 15 percent of gross revenue to the lottery fund in that fiscal year. In computing total amounts credited to the lottery operations account under this paragraph the director shall disregard amounts transferred to or retained by lottery retailers as sales commissions or other compensation and amounts transferred or retained by a racetrack pursuant to a location contract under section 349A.17.

(c) The director of the lottery may not expend after July 1, 1991, more than 2-3/4 percent of gross revenues in a fiscal year for contracts for the preparation, publication, and placement of advertising.

(d) Except as the director determines, the lottery is not subject to chapter 16A relating to budgeting, payroll, and the purchase of goods and services.

(e) In addition to the amounts credited to the lottery operations account under paragraph (b), the director is authorized, if necessary, to meet the current obligations of the lottery and to credit up to 25 percent of an amount equal to the average annual amount which was authorized to be credited to the lottery operations account for the previous three fiscal years but was not needed to meet the obligations of the lottery.

Sec. 12. Minnesota Statutes 2002, section 349A.13, is amended to read:

349A.13 [RESTRICTIONS.]

Nothing in this chapter:

(1) authorizes the director to conduct a lottery game or contest the winner or winners of which are determined by the result of a sporting event other than a horse race conducted under chapter 240;

(2) authorizes the director to install or operate a lottery device operated by coin or currency which when operated determines the winner of a game except as authorized under section 349A.17; and

(3) authorizes the director to sell pull-tabs as defined under section 349.12, subdivision 32.

Sec. 13. [349A.17] [GAMING MACHINES.]

Subdivision 1. [LOCATION CONTRACT.] The director may enter into a contract with a person to provide locations for gaming machines. Contracts entered into under this section are not subject to chapter 16C. The director may only enter a contract under this subdivision with a person that holds a class A license under chapter 240. The gaming machines may only be placed at the racetrack for which the class A license under chapter 240 was issued. The racetrack must have been operating as a racetrack prior to the effective date of this

section. Contracts entered into must provide for compensation to the racetrack in an amount equal to at least the following percentages of adjusted gross gaming machine revenue: (1) until June 30, 2005, 29.5 percent, (2) from July 1, 2005, to June 30, 2007, 53.5 percent, and (3) on and after July 1, 2007, 45 percent. From the amount received by the lottery under this section, the racetrack shall annually remit an amount equal to one-half of one percent of the adjusted gross gaming machine revenue to both the city and the county where the racetrack is located.

Subd. 2. [OPERATION.] (a) All gaming machines that are placed at a racetrack pursuant to subdivision 1 must be operated and controlled by the director.

(b) Gaming machines must be owned or leased by the director.

(c) Gaming machines must be maintained by the lottery, or by a vendor that is under the control and direction of the director.

(d) The director must have a central communications system that monitors activities on each gaming machine. The central communications system must be located at a lottery office.

(e) The director must supervise the counting of money taken from gaming machines.

(f) The director must supervise the general security arrangements associated with and relating to the operation of the gaming machines, and implement procedures as deemed appropriate.

(g) Advertising and promotional material produced by the racetrack relating to gaming machines located at its facility must be approved by the director.

(h) The director may implement such other controls as are deemed necessary for the operation of gaming machines pursuant to this section.

Subd. 3. [SPECIFICATIONS.] Gaming machines must:

(1) maintain on nonresettable meters a permanent record, capable of being printed out, of all transactions by the machine and all entries into the machine; and

(2) be capable of being linked electronically to a central communication system to provide auditing program information as required by the director.

Subd. 4. [GAMES.] The director shall specify the games that may be placed on a gaming machine as set forth under section 349A.04. Gaming machines may conduct pari-mutuel wagering and display horse races pursuant to specifications set forth by the director.

Subd. 5. [EXAMINATION OF MACHINES.] The director shall examine prototypes of gaming machines and require that the manufacturer of the machine pay the cost of the examination. The director may contract for the examination of gaming machines.

Subd. 6. [TESTING OF MACHINES.] The director may require working models of a gaming machine to be transported to the locations the director designates for testing, examination, and analysis. The manufacturer shall pay all costs for testing, examination, analysis, and transportation of the machine model.

Subd. 7. [PRIZES.] A person who plays a gaming machine agrees to be bound by the rules and game procedures applicable to that particular gaming machine game. The player acknowledges that the determination of whether the player has won a prize is subject to the rules and game procedures adopted by the director, claim procedures

established by the director for the game, and any confidential or public validation tests established by the director for that game. A person under 18 years of age may not claim a prize from the operation of a gaming machine. A prize claimed from the play of a gaming machine game is not subject to the provisions of section 349A.08, subdivision 8.

Subd. 8. [PROHIBITIONS.] (a) A person under the age of 18 years may not play a game on a gaming machine.

(b) The director or any employee of the lottery, or a member of their immediate family residing in the same household, may not play a game on a gaming machine or receive a prize from the operation of a gaming machine.

Subd. 9. [COMPULSIVE GAMBLING NOTICE.] The director shall prominently post, in the area where the gaming machines are located, the toll-free telephone number established by the commissioner of human services in connection with the compulsive gambling program established under section 245.98. The director and the location provider shall establish a proactive plan to identify problem gamblers and take appropriate action. By January 15 of each year, the director shall submit a report to the legislature, of not more than five pages in length, setting forth the performance objectives of the plan and the progress that was made toward those objectives during the prior calendar year.

Subd. 10. [LOCAL LICENSES.] Except as provided in subdivision 1, no political subdivision may require a license to operate a gaming machine, restrict or regulate the placement of gaming machines, or impose a tax or fee on the business of operating gaming machines.

Subd. 11. [REIMBURSEMENT; RACING COMMISSION.] The racing commission under section 240.02 shall require the licensee to reimburse the commission's actual costs, including personnel costs, of regulating the racino under this section. Amounts received under this subdivision must be deposited as provided in section 240.155, subdivision 1.

Sec. 14. Minnesota Statutes 2002, section 541.20, is amended to read:

541.20 [RECOVERY OF MONEY LOST.]

Every person who, by playing at cards, dice, or other game, or by betting on the hands or sides of such as are gambling, shall lose to any person so playing or betting any sum of money or any goods, and pays or delivers the same, or any part thereof, to the winner, may sue for and recover such money by a civil action, before any court of competent jurisdiction. For purposes of this section, gambling shall not include pari-mutuel wagering conducted under a license issued pursuant to chapter 240, purchase or sale of tickets in the state lottery, purchase of gaming machine plays as authorized under chapter 349A, or gambling authorized under chapters 349 and 349A.

Sec. 15. Minnesota Statutes 2002, section 541.21, is amended to read:

541.21 [COMMITMENTS FOR GAMBLING DEBT VOID.]

Every note, bill, bond, mortgage, or other security or conveyance in which the whole or any part of the consideration shall be for any money or goods won by gambling or playing at cards, dice, or any other game whatever, or by betting on the sides or hands of any person gambling, or for reimbursing or repaying any money knowingly lent or advanced at the time and place of such gambling or betting, or lent and advanced for any gambling or betting to any persons so gambling or betting, shall be void and of no effect as between the parties to the same, and as to all persons except such as hold or claim under them in good faith, without notice of the illegality of the consideration of such contract or conveyance. The provisions of this section shall not apply to: (1) pari-mutuel wagering conducted under a license issued pursuant to chapter 240; (2) purchase of tickets in the state lottery or other wagering authorized under chapter 349A; (3) gaming activities conducted pursuant to the Indian Gaming Regulatory Act, 25 U.S.C. 2701 et seq.; or (4) lawful gambling activities permitted under chapter 349.

Sec. 16. Minnesota Statutes 2002, section 609.75, subdivision 3, is amended to read:

Subd. 3. [WHAT ARE NOT BETS.] The following are not bets:

(1) A contract to insure, indemnify, guarantee or otherwise compensate another for a harm or loss sustained, even though the loss depends upon chance.

(2) A contract for the purchase or sale at a future date of securities or other commodities.

(3) Offers of purses, prizes or premiums to the actual contestants in any bona fide contest for the determination of skill, speed, strength, endurance, or quality or to the bona fide owners of animals or other property entered in such a contest.

(4) The game of bingo when conducted in compliance with sections 349.11 to 349.23.

(5) A private social bet not part of or incidental to organized, commercialized, or systematic gambling.

(6) The operation of equipment or the conduct of a raffle under sections 349.11 to 349.22, by an organization licensed by the gambling control board or an organization exempt from licensing under section 349.166.

(7) Pari-mutuel betting on horse racing when the betting is conducted under chapter 240.

(8) The purchase and sale of state lottery tickets and plays on a gaming machine under chapter 349A.

Sec. 17. Minnesota Statutes 2002, section 609.761, subdivision 2, is amended to read:

Subd. 2. [STATE LOTTERY.] Sections 609.755 and 609.76 do not prohibit the operation of the state lottery or the sale, possession, or purchase of tickets for the state lottery under chapter 349A, or the manufacture, possession, sale, or operation of a gaming machine under chapter 349A.

Sec. 18. [TRIBAL AGREEMENTS.]

A contract authorized under section 13 may not take effect if before July 1, 2003, each Indian tribe that has signed a tribal-state compact authorized under Minnesota Statutes, section 3.9221, has made a legally binding agreement in a written document submitted to the governor, to:

(1) contribute to the department of human services compulsive gambling treatment program under Minnesota Statutes, section 245.98, in an amount which when combined with similar contributions by all other signatory tribes is at least equal in each fiscal year to the amount contributed to this program from state lottery funds in that year;

(2) not increase the number of video games of chance operated by the tribe above the number the tribe was operating on January 1, 2003;

(3) submit information annually to the state auditor on gross receipts from tribal gaming and the distribution of those gross receipts, and agree to have this information audited by the state auditor; and

(4) contribute to the state for deposit in the general fund at least 6 percent of its gross receipts from casino gaming annually. For purposes of this clause "gross receipts" means total amounts wagered on casino games, including amounts paid for chips or tokens, less total winnings paid out including redemption of chips and tokens.



The moratorium on a contract under section 13 contained in this section ceases to be in effect if at any time after July 1, 2003, the governor determines that the agreements under clauses (1) to (4) have been substantially breached.

Sec. 19. [SEVERABILITY; SAVINGS.]

If any provision of this article is found to be invalid because it is in conflict with a provision of the Constitution of the state of Minnesota or the Constitution of the United States, or for any other reason, all other provisions of this act shall remain valid and any rights, remedies, and privileges that have been otherwise accrued by this act, shall remain in effect and may be proceeded with and concluded under the provisions of this act.

Sec. 20. [EFFECTIVE DATE.]

This article is effective the day following final enactment."

The motion did not prevail and the amendment was not adopted.

Abrams moved to amend H. F. No. 7, as amended, as follows:

Page 118, line 13, delete "237.1384" and insert "273.1384"

The motion prevailed and the amendment was adopted.

Dorman; Anderson, J.; Swenson; Blaine; Heidgerken; Marquart; Urdahl and Rukavina moved to amend H. F. No. 7, as amended, as follows:

Page 99, after line 15, insert:

"(s) The city aid base for a city with a population of 5,000 or more but less than 10,000 according to the 2000 census, which is a county seat outside of the seven-county metropolitan area is increased in 2004 and thereafter and the maximum amount of aid it may receive under section 477A.013, subdivision 9, is also increased, in calendar year 2004 only, by an amount equal to (1) the difference between its 2000 population and 2,500, multiplied by (2) 60."

Pages 100 to 102, delete sections 7 and 8, and insert:

"Sec. 7. Minnesota Statutes 2002, section 477A.013, subdivision 8, is amended to read:

Subd. 8. [CITY FORMULA AID.] In calendar year 1994 and subsequent years, the formula aid for a city is equal to the need increase percentage multiplied by the difference between (1) the city's revenue need multiplied by its population, and (2) the sum of the city's net tax capacity multiplied by the tax effort rate, and 50 percent of the taconite aids under section 298.28 and 298.282. No city may have a formula aid amount less than zero. The need increase percentage must be the same for all cities.

~~Notwithstanding the prior sentence, in 1995 only, the need increase percentage for a city shall be twice the need increase percentage applicable to other cities if:~~

~~(1) the city, in 1992 or 1993, transferred an amount from governmental funds to their sewer and water fund, and~~

~~(2) the amount transferred exceeded their net levy for taxes payable in the year in which the transfer occurred.~~

The applicable need increase percentage ~~or percentages~~ must be calculated by the department of revenue so that the total of the aid under subdivision 9 equals the total amount available for aid under section 477A.03 after the subtraction under section 477A.014, subdivisions 4 and 5.

[EFFECTIVE DATE.] This section is effective for aids payable in 2004 and thereafter.

Sec. 8. Minnesota Statutes 2002, 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~~ For aids payable in 2004 only, the total aid for a city with a population less than 2,500, may not be less than the amount it was certified to receive in 2003 minus the greater of (1) the reduction in 2003 to this aid payment under this article, or (2) five percent of its 2003 certified aid amount.

(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. For aids payable in 2002 only, the total aid for any city, except a first class city, shall not exceed 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, plus (3) its total aid in the previous year under this section. For aids payable in 2004 and thereafter, the total aid for a city with a population of 2,500 or more may not be less than the difference between (1) the amount it received under this subdivision in the previous year after any reductions in 2003 under this article and (2) ten percent of its net levy in the year prior to the aid distribution. For aids payable in 2005 and thereafter, the total aid for a city with a population of 2,500 or less may not be less than the difference between (1) the amount it received under this subdivision in the previous year and (2) five percent of its 2003 certified aid amount.~~

[EFFECTIVE DATE.] This section is effective for aids payable in 2004 and thereafter."

Page 103, line 25, delete "\$429,000,000" and insert "\$497,052,000"

Page 103, line 27, delete "increased to \$437,052,000" and insert "equal to the lesser of (1) the amount needed to fully fund the formula if the need increase percentage is equal to 100 percent; or (2) the amount certified to be paid in the previous year multiplied by 1.05"

Pages 105 to 106, delete section 13, and insert:

"Sec. 13. [2004 CITY AID REDUCTIONS.]

The commissioner of revenue shall compute an aid reduction amount for 2004 for each city as provided in this section.

Each cities reimbursements pursuant to Minnesota Statutes, section 273.1384 are reduced in 2004 by an amount equal to the reduction to these reimbursements in 2003 under this article. To the extent that sufficient information is available on each payment date in 2004, the commissioner of revenue shall pay the reimbursements reduced under this section in equal installments on the payment dates provided in law.

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

Page 126, after line 9, insert:

"(c) The adjusted levy limit base under paragraphs (b) and (c) is multiplied by:

(1) one plus a percentage equal to the percentage increase in number of households, if any, for the most recent 12-month period for which data is available; and

(2) 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 is available."

Page 170, line 29, delete "\$296,000,000" and insert "\$230,000,000"

A roll call was requested and properly seconded.

The question was taken on the Dorman et al amendment and the roll was called. There were 56 yeas and 76 nays as follows:

Those who voted in the affirmative were:

|              |            |             |            |          |            |
|--------------|------------|-------------|------------|----------|------------|
| Anderson, I. | Eken       | Jaros       | Lieder     | Paymar   | Urdahl     |
| Anderson, J. | Ellison    | Johnson, S. | Lindgren   | Pelowski | Vandevour  |
| Atkins       | Entenza    | Juhnke      | Mahoney    | Peterson | Walker     |
| Biernat      | Erickson   | Kahn        | Mariani    | Rukavina | Wasiluk    |
| Blaine       | Fuller     | Kelliher    | Marquart   | Sertich  | Westerberg |
| Clark        | Hausman    | Koenen      | Murphy     | Simpson  | Westrom    |
| Davnie       | Heidgerken | Larson      | Nelson, C. | Solberg  |            |
| Dill         | Hilty      | Latz        | Olson, M.  | Swenson  |            |
| Dorman       | Hornstein  | Lenczewski  | Opatz      | Thao     |            |
| Dorn         | Huntley    | Lesch       | Otremba    | Thissen  |            |

Those who voted in the negative were:

|              |            |             |            |           |              |
|--------------|------------|-------------|------------|-----------|--------------|
| Abeler       | Cox        | Hackbarth   | Kuisle     | Ozment    | Smith        |
| Abrams       | Dauids     | Harder      | Lanning    | Paulsen   | Soderstrom   |
| Adolphson    | DeLaForest | Hilstrom    | Lindner    | Penas     | Stang        |
| Anderson, B. | Demmer     | Holberg     | Lipman     | Powell    | Strachan     |
| Beard        | Dempsey    | Hoppe       | Magnus     | Pugh      | Sykora       |
| Bernardy     | Eastlund   | Howes       | McNamara   | Rhodes    | Tingelstad   |
| Borrell      | Erhardt    | Jacobson    | Meslow     | Ruth      | Walz         |
| Boudreau     | Finstad    | Johnson, J. | Mullery    | Samuelson | Wardlow      |
| Bradley      | Gerlach    | Kielkucki   | Nelson, M. | Seagren   | Wilkin       |
| Brod         | Goodwin    | Klinzing    | Nelson, P. | Seifert   | Zellers      |
| Buesgens     | Greiling   | Knoblach    | Nornes     | Severson  | Spk. Sviggum |
| Carlson      | Gunther    | Kohls       | Olsen, S.  | Sieben    |              |
| Cornish      | Haas       | Krinkie     | Osterman   | Slawik    |              |

The motion did not prevail and the amendment was not adopted.

H. F. No. 7, A bill for an act relating to the financing and operation of state and local government; providing for job opportunity building zones; providing for a biotechnology and health sciences industry zone; changing income, sales and use, motor vehicle sales, motor vehicle registration, property, cigarette and tobacco, liquor, mortgage registry and deed, and other taxes; updating references to the Internal Revenue Code; changing accelerated sales tax liability provisions and extending the requirements to other taxes; changing or providing property tax and sales tax exemptions; requiring payment of certain lawful gambling taxes; altering the computation and payments of intergovernmental aids; imposing levy limits; modifying truth in taxation requirements; providing economic development incentives; changing tax increment financing requirements; providing powers to certain cities and counties; authorizing a special taxing district; providing for collection of certain debts and charges; providing for payments into and transfers among certain funds and accounts; providing for distribution of certain revenues and funds; regulating limited used vehicle licenses; making certain changes relating to the taconite assistance area; authorizing municipalities to collect certain charges as a special assessment; changing certain requirements relating to the metropolitan mosquito control district; regulating tax preparers; providing for studies; providing penalties; appropriating money; amending Minnesota Statutes 2002, sections 3.986, subdivision 4; 4A.02; 16A.152, subdivisions 1, 1b, 2; 18B.07, subdivision 2, as amended; 62J.692, subdivision 4, by adding a subdivision; 168.27, subdivision 4a; 270.60, subdivision 4; 270A.03, subdivision 2; 270A.07, subdivisions 1, 2; 272.02, subdivision 25, by adding subdivisions; 272.029, by adding a subdivision; 273.11, subdivision 13; 273.13, subdivision 25; 273.1341, as added; 273.1398, subdivisions 4a, 4c, 6, 8; 275.025, subdivision 1; 275.065, subdivision 3; 275.066; 275.70, subdivision 5; 275.71, subdivisions 2, 4, 5, 6; 275.72, subdivision 3; 275.73, subdivision 2; 275.74, subdivision 3; 276A.01, subdivision 2; 287.12; 287.29, subdivision 1; 287.31, by adding a subdivision; 289A.02, subdivision 7, as amended; 289A.08, subdivision 16, as amended; 289A.20, subdivision 4; 289A.31, subdivision 7; 289A.60, subdivision 15; 290.01, subdivisions 19, as amended, 19b, 29, 31, as amended; 290.06, subdivision 2c, by adding subdivisions; 290.067, subdivision 1; 290.0671, subdivision 1; 290.091, subdivision 2; 290.0921, subdivision 3; 290.0922, subdivisions 2, 3; 290A.03, subdivision 15, as amended; 297A.68, by adding subdivisions; 297A.70, subdivisions 8, 10, 14, 16; 297A.71, by adding a subdivision; 297B.01, subdivision 7; 297B.03; 297F.09, subdivisions 1, 2, by adding a subdivision; 297F.10, subdivision 1, as amended; 297G.01, by adding a subdivision; 297G.03, subdivision 1; 297G.09, by adding a subdivision; 298.018, subdivisions 1, 2; 298.22, subdivisions 2, 8; 298.2211, subdivisions 1, 2; 298.2213, subdivision 3; 298.2214, subdivisions 1, 3; 298.223, subdivision 1; 298.28, subdivisions 7, 11; 298.292, subdivision 2; 298.293; 298.298; 349.16, by adding a subdivision; 429.101, subdivision 1; 469.169, by adding a subdivision; 469.174, subdivisions 6, as amended, 10, by adding a subdivision; 469.1763, subdivisions 2, 4; 469.177, subdivision 1; 473.167, subdivision 3; 473.249, subdivision 1; 473.253, subdivision 1; 473.704, subdivision 17, as amended; 474A.061, subdivision 1, as amended; 477A.011, subdivisions 34, 36, by adding subdivisions; 477A.013, subdivisions 8, 9; 477A.03, subdivision 2, by adding subdivisions; 611.27, subdivisions 13, 15; Laws 1980, chapter 511, section 1, subdivision 2, as amended; Laws 1980, chapter 511, section 2, as amended; Laws 1993, chapter 375, article 9, section 46, subdivision 2, as amended; Laws 1998, chapter 389, article 16, section 35, subdivision 1, as amended; Laws 1999, chapter 243, article 4, section 19, as amended; Laws 2001, First Special Session chapter 5, article 12, section 95, as amended; Laws 2001, First Special Session chapter 5, article 20, section 22; Laws 2002, chapter 377, article 3, section 15; 2003 First Special Session H. F. No. 1, article 2, section 118, subdivision 6; proposing coding for new law in Minnesota Statutes, chapters 270; 469; 477A; repealing Minnesota Statutes 2002, sections 37.13, subdivision 2; 272.02, subdivision 26; 273.138, subdivisions 2, 3, 6; 273.1398, subdivisions 2, 2c, 4d; 273.166; 275.065, subdivision 3a; 325E.112, subdivision 2a; 477A.011, subdivision 37; 477A.0121; 477A.0122; 477A.0123; 477A.0132; 477A.03, subdivisions 3, 4; 477A.06; 477A.07.

The bill was read for the third time, as amended, and placed upon its final passage.

The question was taken on the passage of the bill and the roll was called. There were 68 yeas and 65 nays as follows:

Those who voted in the affirmative were:

|           |              |          |          |            |          |
|-----------|--------------|----------|----------|------------|----------|
| Abeler    | Anderson, B. | Borrell  | Buesgens | DeLaForest | Eastlund |
| Abrams    | Beard        | Boudreau | Cornish  | Demmer     | Erhardt  |
| Adolphson | Blaine       | Bradley  | Davids   | Dempsey    | Erickson |

|           |             |            |           |            |              |
|-----------|-------------|------------|-----------|------------|--------------|
| Finstad   | Jacobson    | Lenczewski | Paulsen   | Smith      | Westerberg   |
| Gerlach   | Johnson, J. | Lindgren   | Penas     | Soderstrom | Westrom      |
| Gunther   | Kielkucki   | Lindner    | Powell    | Stang      | Wilkin       |
| Haas      | Klinzing    | Lipman     | Rhodes    | Swenson    | Zellers      |
| Hackbarth | Knoblach    | Magnus     | Ruth      | Sykora     | Spk. Sviggum |
| Harder    | Kohls       | Nelson, P. | Samuelson | Tingelstad |              |
| Holberg   | Krinkie     | Nornes     | Seagren   | Vandever   |              |
| Hoppe     | Kuisle      | Osterman   | Seifert   | Walz       |              |
| Howes     | Lanning     | Ozment     | Simpson   | Wardlow    |              |

Those who voted in the negative were:

|              |            |             |            |           |          |
|--------------|------------|-------------|------------|-----------|----------|
| Anderson, I. | Dorman     | Hilty       | Lesch      | Olsen, S. | Severson |
| Anderson, J. | Dorn       | Hornstein   | Lieder     | Olson, M. | Sieben   |
| Atkins       | Eken       | Huntley     | Mahoney    | Opatz     | Slawik   |
| Bernardy     | Ellison    | Jaros       | Mariani    | Otremba   | Solberg  |
| Biernat      | Entenza    | Johnson, S. | Marquart   | Otto      | Strachan |
| Brod         | Fuller     | Juhnke      | McNamara   | Paymar    | Thao     |
| Carlson      | Goodwin    | Kahn        | Meslow     | Pelowski  | Thissen  |
| Clark        | Greiling   | Kelliher    | Mullery    | Peterson  | Urdahl   |
| Cox          | Hausman    | Koenen      | Murphy     | Pugh      | Walker   |
| Davnie       | Heidgerken | Larson      | Nelson, C. | Rukavina  | Wasiluk  |
| Dill         | Hilstrom   | Latz        | Nelson, M. | Sertich   |          |

The bill was passed, as amended, and its title agreed to.

### CALENDAR FOR THE DAY

Paulsen moved that the Calendar for the Day be continued. The motion prevailed.

### FISCAL CALENDAR ANNOUNCEMENT

Pursuant to rule 1.22, Knoblach announced his intention to place H. F. Nos. 6 and 8 on the Fiscal Calendar for Wednesday, May 28, 2003.

### ADJOURNMENT

Paulsen moved that when the House adjourns today it adjourn until 2:00 p.m., Wednesday, May 28, 2003. The motion prevailed.

Paulsen moved that the House adjourn. The motion prevailed, and the Speaker declared the House stands adjourned until 2:00 p.m., Wednesday, May 28, 2003.

EDWARD A. BURDICK, Chief Clerk, House of Representatives

