

## STATE OF MINNESOTA

## EIGHTY-EIGHTH SESSION — 2013

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 SIXTIETH DAY

SAINT PAUL, MINNESOTA, SATURDAY, MAY 18, 2013

The House of Representatives convened at 9:00 a.m. and was called to order by Paul Thissen, Speaker of the House.

Prayer was offered by the Reverend Paul Rogers, Minneapolis, Minnesota.

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

The roll was called and the following members were present:

Albright	Dettmer	Hansen	Lien	Newton	Simon
Allen	Dill	Hausman	Lillie	Norton	Simonson
Anderson, M.	Dorholt	Hertaus	Loeffler	O'Driscoll	Slocum
Anderson, P.	Drazkowski	Hilstrom	Lohmer	O'Neill	Sundin
Anderson, S.	Erhardt	Holberg	Loon	Paymar	Swedzinski
Anzelc	Erickson, R.	Hornstein	Mack	Pelowski	Theis
Atkins	Erickson, S.	Hortman	Mahoney	Peppin	Torkelson
Barrett	Fabian	Howe	Mariani	Persell	Uglen
Beard	Falk	Huntley	Marquart	Petersburg	Urdahl
Benson, J.	Faust	Isaacson	Masin	Poppe	Wagenius
Benson, M.	Fischer	Johnson, B.	McNamara	Pugh	Ward, J.A.
Bernardy	FitzSimmons	Johnson, C.	McNamara	Quam	Ward, J.E.
Bly	Franson	Johnson, S.	Melin	Radinovich	Wills
Brynaert	Freiberg	Kahn	Metsa	Rosenthal	Winkler
Carlson	Fritz	Kelly	Moran	Runbeck	Woodard
Clark	Garofalo	Kieffer	Morgan	Sanders	Yarusso
Cornish	Green	Kiel	Mullery	Savick	Zellers
Daudt	Gruenhagen	Kresha	Murphy, E.	Sawatzky	Zerwas
Davids	Gunther	Laine	Murphy, M.	Schoen	Spk. Thissen
Davnie	Hackbarth	Leidiger	Myhra	Schomacker	
Dean, M.	Halverson	Lenczewski	Nelson	Scott	
Dehn, R.	Hamilton	Lesch	Newberger	Selcer	

A quorum was present.

Hoppe was excused until 12:20 p.m. Liebling was excused until 12:25 p.m. Abeler was excused until 1:10 p.m. Normes was excused until 3:00 p.m. McDonald was excused until 11:00 p.m.

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

**REPORTS OF CHIEF CLERK**

S. F. No. 894 and H. F. No. 1179, which had been referred to the Chief Clerk for comparison, were examined and found to be identical.

Schomacker moved that S. F. No. 894 be substituted for H. F. No. 1179 and that the House File be indefinitely postponed. The motion prevailed.

S. F. No. 1340 and H. F. No. 1114, which had been referred to the Chief Clerk for comparison, were examined and found to be identical with certain exceptions.

**SUSPENSION OF RULES**

Abeler moved that the rules be so far suspended that S. F. No. 1340 be substituted for H. F. No. 1114 and that the House File be indefinitely postponed. The motion prevailed.

**REPORTS OF STANDING COMMITTEES AND DIVISIONS**

Murphy, E., from the Committee on Rules and Legislative Administration to which was referred:

H. F. No. 983, A bill for an act relating to higher education; making technical, conforming, policy, and clarifying changes to provisions related to higher education; modifying provisions related to student grants, awards, and aid, school registration, and licensure; prohibiting use of state appropriations for certain bonuses and performance-based incentive payments; requiring certain information to be provided in higher education budget proposals; modifying procedures related to terminating institutions from financial aid programs; establishing procedure for cancellation of required surety bond; establishing MnDRIVE program; repealing Higher Education Advisory Council; amending Minnesota Statutes 2012, sections 135A.031, subdivision 7; 136A.101, subdivision 9; 136A.125, subdivisions 2, 4; 136A.233, subdivision 2; 136A.646; 136A.65, subdivision 8; 136A.653, by adding a subdivision; 136F.40, subdivision 2; 137.027; 141.35; 299A.45, subdivision 4; proposing coding for new law in Minnesota Statutes, chapters 136A; 137; repealing Minnesota Statutes 2012, section 136A.031, subdivision 2; Minnesota Rules, parts 4830.0120; 4830.0130; 4830.0140; 4830.0150; 4830.0160; 4830.0170; 4830.0180; 4830.0190; 4830.0195.

Reported the same back with the recommendation that the bill pass.

The report was adopted.

**SECOND READING OF HOUSE BILLS**

H. F. No. 983 was read for the second time.

**SECOND READING OF SENATE BILLS**

S. F. Nos. 894 and 1340 were read for the second time.

**INTRODUCTION AND FIRST READING OF HOUSE BILLS**

The following House Files were introduced:

Kieffer and Paymar introduced:

H. F. No. 1851, A bill for an act relating to public safety; enhancing penalties for certain repeat criminal sexual conduct offenders; amending Minnesota Statutes 2012, sections 609.135, subdivision 2; 609.3451.

The bill was read for the first time and referred to the Committee on Public Safety Finance and Policy.

Mahoney introduced:

H. F. No. 1852, A bill for an act relating to energy; expanding class of facilities eligible for the renewable energy production incentive to include recovered energy generation facilities; amending Minnesota Statutes 2012, sections 116C.779, subdivision 2; 216B.1691, subdivision 1; 216C.41, subdivisions 1, 2, 3, 4.

The bill was read for the first time and referred to the Committee on Energy Policy.

Lesch; Hornstein; Faust; Clark; Dehn, R.; Kahn; Murphy, M.; Erhardt; Allen; Schoen; Bernardy; Isaacson; Metsa; Morgan; Davnie; Hilstrom; Lillie; Hausman; Wagenius; Halverson; Huntley; Paymar; Dorholt; Masin; Yarusso; Carlson; Mullery; McNamar; Fritz and Nelson introduced:

H. F. No. 1853, A bill for an act proposing an amendment to the Minnesota Constitution, article I, by adding a section; providing for gender equality under the law.

The bill was read for the first time and referred to the Committee on Government Operations.

Falk, Swedzinski and Torkelson introduced:

H. F. No. 1854, A bill for an act relating to commerce; regulating used kitchen grease collectors, processors, and transporters; providing civil and criminal penalties; proposing coding for new law as Minnesota Statutes, chapter 45A.

The bill was read for the first time and referred to the Committee on Commerce and Consumer Protection Finance and Policy.

Dill introduced:

H. F. No. 1855, A bill for an act relating to natural resources; modifying water appropriation permit provisions; amending Minnesota Statutes 2012, section 103G.271, by adding a subdivision.

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

Murphy, E., 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.

Fischer was excused between the hours of 12:15 p.m. and 3:20 p.m.

Hornstein was excused between the hours of 12:15 p.m. and 6:55 p.m.

#### MESSAGES FROM THE SENATE

The following messages were received from the Senate:

Mr. Speaker:

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

H. F. No. 819, A bill for an act relating to the Public Facilities Authority; reorganizing certain grant programs; providing for small community wastewater treatment grants; amending Minnesota Statutes 2012, sections 446A.073, subdivisions 1, 3, 4; 446A.075, subdivisions 1a, 2, 5; repealing Minnesota Statutes 2012, sections 446A.051, subdivision 2; 446A.074.

JOANNE M. ZOFF, Secretary of the Senate

#### CONCURRENCE AND REPASSAGE

Murphy, M., moved that the House concur in the Senate amendments to H. F. No. 819 and that the bill be repassed as amended by the Senate. The motion prevailed.

H. F. No. 819, A bill for an act relating to the Public Facilities Authority; reorganizing certain grant programs; providing for small community wastewater treatment grants; amending Minnesota Statutes 2012, sections 446A.073, subdivisions 1, 3, 4; 446A.075, subdivisions 1a, 2, 5, 6; repealing Minnesota Statutes 2012, sections 446A.051, subdivision 2; 446A.074.

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

The question was taken on the repassage of the bill and the roll was called. There were 126 yeas and 0 nays as follows:

Those who voted in the affirmative were:

Albright	Dehn, R.	Hamilton	Lesch	Newberger	Scott
Allen	Dettmer	Hansen	Lien	Newton	Selcer
Anderson, M.	Dill	Hausman	Lillie	Norton	Simon
Anderson, P.	Dorholt	Hertaus	Loeffler	O'Driscoll	Simonson
Anderson, S.	Drazkowski	Hilstrom	Lohmer	O'Neill	Slocum
Anzelc	Erhardt	Holberg	Loon	Paymar	Sundin
Atkins	Erickson, R.	Hortman	Mack	Pelowski	Swedzinski
Barrett	Erickson, S.	Howe	Mahoney	Peppin	Theis
Beard	Fabian	Huntley	Mariani	Persell	Torkelson
Benson, J.	Falk	Isaacson	Marquart	Petersburg	Uglen
Benson, M.	Faust	Johnson, B.	Masin	Poppe	Urdahl
Bernardy	FitzSimmons	Johnson, C.	McNamar	Pugh	Wagenius
Bly	Franson	Johnson, S.	McNamara	Quam	Ward, J.A.
Brynaert	Freiberg	Kahn	Melin	Radinovich	Ward, J.E.
Carlson	Fritz	Kelly	Metsa	Rosenthal	Wills
Clark	Garofalo	Kieffer	Moran	Runbeck	Winkler
Cornish	Green	Kiel	Morgan	Sanders	Woodard
Daudt	Gruenhagen	Kresha	Murphy, E.	Savick	Yarusso
Davids	Gunther	Laine	Murphy, M.	Sawatzky	Zellers
Davnie	Hackbarth	Leidiger	Myhra	Schoen	Zerwas
Dean, M.	Halverson	Lenczewski	Nelson	Schomacker	Spk. Thissen

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

Mr. Speaker:

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

H. F. No. 1243, A bill for an act relating to commerce; modifying securities registration and franchise registration provisions; amending Minnesota Statutes 2012, sections 80A.41; 80A.54; 80A.58; 80A.61; 80A.66; 80C.08, by adding a subdivision.

JOANNE M. ZOFF, Secretary of the Senate

#### CONCURRENCE AND REPASSAGE

Atkins moved that the House concur in the Senate amendments to H. F. No. 1243 and that the bill be repassed as amended by the Senate. The motion prevailed.

H. F. No. 1243, A bill for an act relating to commerce; modifying securities registration and franchise registration provisions; amending Minnesota Statutes 2012, sections 80A.41; 80A.54; 80A.58; 80A.61; 80A.66; 80C.08, by adding a subdivision.

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

The question was taken on the repassage of the bill and the roll was called. There were 81 yeas and 44 nays as follows:

Those who voted in the affirmative were:

Allen	Dehn, R.	Huntley	Mahoney	Newton	Simonson
Anderson, P.	Dill	Isaacson	Mariani	Norton	Slocum
Anzelc	Dorholt	Johnson, B.	Marquart	Paymar	Sundin
Atkins	Erhardt	Johnson, C.	Masin	Pelowski	Torkelson
Benson, J.	Erickson, R.	Johnson, S.	McNamar	Persell	Urdahl
Bernardy	Falk	Kahn	McNamara	Petersburg	Wagenius
Bly	Faust	Laine	Melin	Poppe	Ward, J.A.
Brynaert	Freiberg	Lenczewski	Metsa	Radinovich	Ward, J.E.
Carlson	Fritz	Lesch	Moran	Rosenthal	Winkler
Clark	Halverson	Lien	Morgan	Savick	Yarusso
Cornish	Hansen	Lillie	Mullery	Sawatzky	Spk. Thissen
Daudt	Hausman	Loeffler	Murphy, E.	Schoen	
Davids	Hilstrom	Loon	Murphy, M.	Selcer	
Davnie	Hortman	Mack	Nelson	Simon	

Those who voted in the negative were:

Albright	Drazkowski	Gunther	Kresha	Pugh	Uglen
Anderson, M.	Erickson, S.	Hackbarth	Leidiger	Quam	Wills
Anderson, S.	Fabian	Hamilton	Lohmer	Runbeck	Woodard
Barrett	FitzSimmons	Hertaus	Myhra	Sanders	Zerwas
Beard	Franson	Howe	Newberger	Schomacker	
Benson, M.	Garofalo	Kelly	O'Driscoll	Scott	
Dean, M.	Green	Kieffer	O'Neill	Swedzinski	
Dettmer	Gruenhagen	Kiel	Peppin	Theis	

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

Myhra was excused between the hours of 12:50 p.m. and 5:35 p.m.

Mr. Speaker:

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

H. F. No. 975, A bill for an act relating to human services; modifying provisions related to fair hearings and internal audits; creating the Cultural and Ethnic Leadership Communities Council; removing obsolete language; making technical changes; amending Minnesota Statutes 2012, sections 245.4661, subdivisions 2, 6; 245.482, subdivision 5; 256.01, subdivision 2; 256.017, subdivision 1; 256.045, subdivisions 1, 3, 4, 5; 256.0451, subdivisions 5, 13, 22, 24; 256B.055, subdivision 12; 256B.056, subdivision 11; 256B.057, subdivision 3b; 256B.0595, subdivisions 1, 2, 4, 9; 256D.02, subdivision 12a; 256J.30, subdivisions 8, 9; 256J.37, subdivision 3a; 256J.395, subdivision 1; 256J.575, subdivision 3; 256J.626, subdivisions 6, 7; 256J.72, subdivisions 1, 3; proposing coding for new law in Minnesota Statutes, chapter 256; repealing Minnesota Statutes 2012, sections 245.461, subdivision 3; 245.463, subdivisions 1, 3, 4; 256.01, subdivisions 2a, 13, 23a; 256B.0185; 256D.02, subdivision 4a; 256J.575, subdivision 4; 256J.74, subdivision 4; 256L.04, subdivision 9.

JOANNE M. ZOFF, Secretary of the Senate

## CONCURRENCE AND REPASSAGE

Benson, J., moved that the House concur in the Senate amendments to H. F. No. 975 and that the bill be repassed as amended by the Senate. The motion prevailed.

The Speaker called Simon to the Chair.

H. F. No. 975, A bill for an act relating to human services; modifying provisions related to fair hearings and internal audits; creating the Cultural and Ethnic Leadership Communities Council; removing obsolete language; making technical changes; amending Minnesota Statutes 2012, sections 245.4661, subdivisions 2, 6; 245.482, subdivision 5; 256.01, subdivision 2; 256.017, subdivision 1; 256.045, subdivisions 1, 3, 4, 5; 256.0451, subdivisions 5, 13, 22, 24; 256B.055, subdivision 12; 256B.056, subdivision 11; 256B.057, subdivision 3b; 256B.0595, subdivisions 1, 2, 4, 9; 256D.02, subdivision 12a; 256J.30, subdivisions 8, 9; 256J.37, subdivision 3a; 256J.395, subdivision 1; 256J.575, subdivision 3; 256J.626, subdivisions 6, 7; 256J.72, subdivisions 1, 3; repealing Minnesota Statutes 2012, sections 245.461, subdivision 3; 245.463, subdivisions 1, 3, 4; 256.01, subdivisions 2a, 13, 23a; 256B.0185; 256D.02, subdivision 4a; 256J.575, subdivision 4; 256J.74, subdivision 4; 256L.04, subdivision 9.

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

The question was taken on the repassage of the bill and the roll was called. There were 101 yeas and 28 nays as follows:

Those who voted in the affirmative were:

Abeler	Dettmer	Holberg	Loon	Norton	Slocum
Allen	Dill	Hortman	Mack	O'Driscoll	Sundin
Anderson, M.	Dorholt	Howe	Mahoney	O'Neill	Swedzinski
Anderson, S.	Erhardt	Huntley	Mariani	Paymar	Theis
Anzelc	Erickson, R.	Isaacson	Marquart	Pelowski	Torkelson
Atkins	Fabian	Johnson, B.	Masin	Persell	Uglen
Barrett	Falk	Johnson, C.	McNamar	Petersburg	Urdahl
Benson, J.	Faust	Johnson, S.	McNamara	Poppe	Wagenius
Bernardy	Franson	Kahn	Melin	Radinovich	Ward, J.A.
Bly	Freiberg	Kresha	Metsa	Rosenthal	Ward, J.E.
Brynaert	Fritz	Laine	Moran	Sanders	Wills
Carlson	Gunther	Lenczewski	Morgan	Savick	Winkler
Clark	Halverson	Lesch	Mullery	Sawatzky	Yarusso
Cornish	Hamilton	Liebling	Murphy, E.	Schoen	Zellers
Daudt	Hansen	Lien	Murphy, M.	Selcer	Zerwas
Davnie	Hausman	Lillie	Nelson	Simon	Spk. Thissen
Dehn, R.	Hilstrom	Loeffler	Newton	Simonson	

Those who voted in the negative were:

Albright	Dean, M.	Green	Kelly	Newberger	Schomacker
Anderson, P.	Drazkowski	Gruenhagen	Kieffer	Peppin	Scott
Beard	Erickson, S.	Hackbarth	Kiel	Pugh	Woodard
Benson, M.	FitzSimmons	Hertaus	Leidiger	Quam	
Davids	Garofalo	Hoppe	Lohmer	Runbeck	

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

Mr. Speaker:

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

S. F. No. 489.

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

JOANNE M. ZOFF, Secretary of the Senate

#### CONFERENCE COMMITTEE REPORT ON S. F. NO. 489

A bill for an act relating to retirement; Minnesota State Retirement System, Public Employees Retirement Association, and former local police and paid firefighter relief associations; authorizing investments in swaps; clarifying language; removing obsolete language; revising outdated requirements; revising contribution rate revision procedures; revising disability standards and disability benefit administration procedures; merging the elected state officers retirement plan into the legislators retirement plan; revising pension commission standards provision; revising pension plan financial report contents provision; clarifying coverage of student employees and extending duration of excluded work-study positions; revising military service credit purchase provision for consistency with federal code; clarifying average salary for benefit purposes; clarifying MERF division benefit eligibility; adding Lake County Sunrise Home to privatization chapter; removing legislative approval requirements for privatizations; modifying legislative notification requirements for privatizations; clarifying privatized public hospital pension benefit eligibility; making various administrative changes; eliminating the PERA Social Security leveling optional annuity; revising and repealing various statutes to reflect the recent mergers of local police and salaried firefighter relief associations and consolidation accounts with the public employees police and fire retirement plan; streamlining amortization state aid programs; extending the deadline for participation in the voluntary statewide lump-sum volunteer firefighter retirement plan; requiring municipal approval for deferred service pension interest rate changes by volunteer firefighter relief association boards of trustees; authorizing a resumption of the payment of a death benefit to estates of certain White Bear Lake volunteer firefighter relief association retirees; including Minnesota Association of Professional Employees in MSRS-General plan coverage; authorizing the termination of nonspousal survival designations in optional annuity form elections in certain instances; authorizing certain service credit purchases; providing instructions to the revisor of statutes; amending Minnesota Statutes 2012, sections 3.85, subdivision 10; 3A.011; 3A.03, subdivision 3; 3A.07; 3A.115; 3A.13; 3A.15; 6.495, subdivisions 1, 3; 6.67; 11A.24, subdivision 1; 13D.01, subdivision 1; 69.011, subdivisions 1, 2, 3, 4; 69.021, subdivisions 1, 2, 3, 4, 5, 7, 7a, 8, 9, 10, 11; 69.031, subdivisions 1, 3, 5; 69.041; 69.051, subdivisions 1, 1a, 1b, 2, 3, 4; 69.33; 69.77, subdivisions 1, 2, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13; 69.771, subdivision 1; 69.774, subdivision 1; 69.80; 275.70, subdivision 5; 297I.10, subdivision 1; 345.381; 352.01, subdivisions 2a, 17b; 352.029, subdivisions 1, 2a, 2b, 3, 5; 352.03, subdivisions 4, 8; 352.045, by adding subdivisions; 352.113, subdivisions 4, 6, 8, by adding subdivisions; 352.115, subdivision 3; 352.22, subdivision 3; 352.87, subdivision 3; 352.93, subdivision 2; 352.95, subdivision 1; 352.955, subdivisions 1, 3; 352B.011, subdivision 13; 352B.08, subdivision 2; 352B.10, subdivision 1, by adding a subdivision; 352D.04, subdivision 2; 353.01, subdivisions 2a, 2b, 6, 10, 16, 17a, 29; 353.03, subdivision 3; 353.27, subdivision 7; 353.29, subdivision 3; 353.34, subdivisions 1, 2; 353.50, subdivisions 3, 6; 353.64, subdivision 1a; 353.651, subdivision 3; 353.656, subdivisions 1, 1a, 3a; 353.657, subdivisions 2, 2a, 3; 353.659; 353.665, subdivisions 1, 5, 8; 353.71, subdivision 1; 353E.04, subdivision 3; 353E.06, subdivision 1; 353F.02, subdivisions 3, 4, 6, by adding a subdivision; 353F.025, subdivisions 1, 2; 353F.03; 353F.04; 353F.05; 353F.051, subdivision 1; 353F.052; 353F.06; 353F.07; 353F.08; 353G.05, subdivision 2; 354.07, subdivision 1; 354.44, subdivision 6; 354A.021, subdivision 2; 354A.31, subdivisions 4, 4a; 356.20, subdivisions 2, 4; 356.214, subdivision 1; 356.215, subdivisions 1, 8, 18; 356.216; 356.219, subdivisions 1, 2, 8; 356.30, subdivisions 1, 3; 356.315, subdivision 9; 356.401, subdivision 3; 356.406, subdivision 1; 356.415, subdivisions 1, 1a, 1b, 2; 356.48, subdivision 1; 356.635, subdivision 1; 356A.01, subdivision 19; 356A.06, subdivision 4; 356A.07, subdivision 2; 423A.02, subdivisions 1, 1b, 2, 3, 3a, 4, 5; 424A.001, subdivision 4, by adding a subdivision; 424A.01, subdivision 6; 424A.015, subdivisions 1, 4; 424A.016, subdivision 6; 424A.02, subdivisions 7, 9; 424A.10, subdivisions 1, 2; 475.52, subdivision 6; 490.121, subdivision 22; 490.124, subdivision 1; proposing coding for new law in Minnesota Statutes, chapters 3A; 6; 353F; 356; repealing Minnesota Statutes 2012, sections 3A.02, subdivision 3; 69.021, subdivision 6; 69.77, subdivision 3; 352.955, subdivision 2; 352C.001; 352C.091, subdivision 1;



352C.10; 353.29, subdivision 6; 353.64, subdivision 3; 353.665, subdivisions 2, 3, 4, 6, 7, 9, 10; 353.667; 353.668; 353.669; 353.6691; 353A.01; 353A.02; 353A.03; 353A.04; 353A.05; 353A.06; 353A.07; 353A.08; 353A.081; 353A.083; 353A.09; 353A.10; 353B.01; 353B.02; 353B.03; 353B.04; 353B.05; 353B.06; 353B.07; 353B.08; 353B.09; 353B.10; 353B.11; 353B.12; 353B.13; 353B.14; 353F.02, subdivisions 4, 5; 353F.025, subdivision 3; 356.315, subdivisions 1, 1a, 2, 2a, 2b, 3, 4, 5, 5a, 6, 7, 8; 423A.01; 423A.02, subdivision 1a; 423A.04; 423A.05; 423A.07; 423A.10; 423A.11; 423A.12; 423A.13; 423A.14; 423A.15; 423A.16; 423A.17; 423A.171; 423A.18; 423A.19; 423A.20; 423A.21; 423A.22; 424A.10, subdivision 5.

May 17, 2013

The Honorable Sandra L. Pappas  
President of the Senate

The Honorable Paul Thissen  
Speaker of the House of Representatives

We, the undersigned conferees for S. F. No. 489 report that we have agreed upon the items in dispute and recommend as follows:

That the House recede from its amendments and that S. F. No. 489 be further amended as follows:

Delete everything after the enacting clause and insert:

"ARTICLE 1  
STATE BOARD OF INVESTMENT PROVISIONS

Section 1. Minnesota Statutes 2012, section 11A.24, subdivision 1, is amended to read:

Subdivision 1. **Securities generally.** (a) Pursuant to an investment policy adopted by the state board, the state board is authorized to purchase, sell, lend, and exchange the securities specified in this section, for funds or accounts specifically made subject to this section; ~~This authority including~~ includes puts and call options, ~~and~~ future contracts, ~~and swap contracts marked to market, if these options and contracts are~~ traded on a contract market regulated by a governmental agency or by a financial institution regulated by a governmental agency. These securities may be owned directly or through shares in exchange-traded or mutual funds, or as units in commingled trusts, subject to any limitations as specified in this section.

(b) Any agreement to lend securities must be concurrently collateralized with cash or securities with a market value of not less than 100 percent of the market value of the loaned securities at the time of the agreement. Any agreement for put and call options and futures contracts may only be entered into with a fully offsetting amount of cash or securities. Only securities authorized by this section, excluding those under subdivision 6, paragraph (a), clauses (1) to (3), may be accepted as collateral or offsetting securities.

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

ARTICLE 2  
MSRS ADMINISTRATIVE PROVISIONS

Section 1. Minnesota Statutes 2012, section 3.85, subdivision 10, is amended to read:

Subd. 10. **Standards for pension valuations and cost estimates.** The commission shall adopt standards prescribing specific detailed methods to calculate, evaluate, and display current and proposed law liabilities, costs, and actuarial equivalents of all public employee pension plans in Minnesota. These standards shall be consistent with chapter 356 and be updated annually. At a minimum, the standards ~~must not shall~~ contain ~~a valuation~~

~~requirement requirements that is inconsistent~~ comply with generally accepted accounting principles applicable to government pension plans. The standards may include additional financial, funding, or valuation requirements that are not required under generally accepted accounting principles applicable to government pension plans.

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

Sec. 2. Minnesota Statutes 2012, section 3A.011, is amended to read:

### **3A.011 ADMINISTRATION OF ~~PLAN~~ PLANS.**

The executive director and the board of directors of the Minnesota State Retirement System shall administer the ~~legislators retirement plan~~ plans specified in accordance this chapter consistent with this chapter and ~~chapter~~ chapters 356 and 356A.

**EFFECTIVE DATE.** This section is effective July 1, 2013.

Sec. 3. Minnesota Statutes 2012, section 3A.03, subdivision 3, is amended to read:

Subd. 3. **Legislators retirement fund.** (a) The legislators retirement fund, a special retirement fund, is created within the state treasury ~~and must be credited with assets equal to the participation of the legislators retirement plan in the Minnesota postretirement investment fund as of June 30, 2009, and any investment proceeds on those assets.~~ The legislators retirement fund must be credited with any investment proceeds on the assets of the retirement fund.

(b) The payment of annuities under section 3A.115, paragraph (b), is appropriated from the legislators retirement fund.

**EFFECTIVE DATE.** This section is effective July 1, 2013.

Sec. 4. Minnesota Statutes 2012, section 3A.07, is amended to read:

### **3A.07 APPLICATION.**

(a) Except as provided in paragraph (b) and section 3A.17, this chapter applies to members of the legislature in service after July 1, 1965, who otherwise meet the requirements of this chapter.

(b) Members of the legislature who were elected for the first time after June 30, 1997, or members of the legislature who were elected before July 1, 1997, and who, after July 1, 1998, elect not to be members of the plan established by this chapter are covered by the unclassified employees retirement program governed by chapter 352D.

(c) The post-July 1, 1998, coverage election under paragraph (b) is irrevocable and must be made on a form prescribed by the director. The second chance referendum election under Laws 2002, chapter 392, article 15, also is irrevocable.

**EFFECTIVE DATE.** This section is effective July 1, 2013.

Sec. 5. Minnesota Statutes 2012, section 3A.115, is amended to read:

### **3A.115 RETIREMENT ALLOWANCE APPROPRIATION; POSTRETIREMENT ADJUSTMENT.**

(a) The amount necessary to fund the retirement allowance granted under this chapter to a former legislator retiring after June 30, 2003, or to that legislator's survivor, and the retirement allowance granted under section 3A.17 to a former constitutional officer or the survivor of that constitutional officer is appropriated from the general fund to the director to pay pension obligations due to the retiree.

(b) The amount necessary to fund the retirement allowance granted under this chapter to a former legislator retiring before July 1, 2003, must be paid from the legislators retirement fund created under section 3A.03, subdivision 3, until the assets of the fund are exhausted and at that time, the amount necessary to fund the retirement allowances under this paragraph is appropriated from the general fund to the director to pay pension obligations to the retiree and survivor.

(c) Retirement allowances payable to retired legislators and their survivors under this chapter must be adjusted as provided in sections 3A.02, subdivision 6, and 356.415.

**EFFECTIVE DATE.** This section is effective July 1, 2013.

Sec. 6. Minnesota Statutes 2012, section 3A.13, is amended to read:

**3A.13 EXEMPTION FROM PROCESS AND TAXATION; HEALTH PREMIUM DEDUCTION.**

(a) The provisions of section 356.401 apply to the ~~legislators retirement plan~~ plans specified in this chapter.

(b) The executive director of the Minnesota State Retirement System must, at the request of a retired legislator or constitutional officer who is enrolled in a health insurance plan covering state employees, deduct the person's health insurance premiums from the person's annuity and transfer the amount of the premium to a health insurance carrier covering state employees.

**EFFECTIVE DATE.** This section is effective July 1, 2013.

Sec. 7. Minnesota Statutes 2012, section 3A.15, is amended to read:

**3A.15 ~~COORDINATED PROGRAM~~ PROGRAMS OF THE LEGISLATORS RETIREMENT PLAN.**

~~The coordinated program of the legislators retirement plan is created.~~ The provisions of sections 3A.01 to 3A.13 apply to the coordinated ~~program~~ and basic programs of the legislators retirement plan.

**EFFECTIVE DATE.** This section is effective July 1, 2013.

Sec. 8. **[3A.17] CONSTITUTIONAL OFFICERS.**

Subdivision 1. **Application.** (a) This section specifies the retirement plan applicable to a former constitutional officer who was first elected to a constitutional office after July 1, 1967, and before July 1, 1997. The plan includes the applicable portions of chapters 352C and 356 in effect on the date on which the person terminated active service as a constitutional officer.

(b) Nothing in this section, this act, or Laws 2006, chapter 271, article 10, section 33, subdivision 2, is intended to increase or reduce the benefits of former constitutional officers or their survivors or to adversely modify their eligibility for benefits in effect as of June 30, 2012.

Subd. 2. **Benefit adjustments.** Retirement allowances payable to retired constitutional officers and surviving spouse benefits payable must be adjusted under section 356.415.

**EFFECTIVE DATE.** This section is effective July 1, 2013.

Sec. 9. Minnesota Statutes 2012, section 352.01, subdivision 17b, is amended to read:

Subd. 17b. **Duty disability, physical or psychological.** "Duty disability, physical or psychological," for a correctional employee, means an occupational disability that is the direct result of an injury incurred during, or a disease arising out of, the performance of normal duties or the performance of less frequent duties either of which ~~are~~ present inherent dangers specific to the correctional employee.

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

Sec. 10. Minnesota Statutes 2012, section 352.03, subdivision 8, is amended to read:

Subd. 8. **Medical adviser.** ~~The state commissioner of health or other executive director may contract with an accredited independent organization specializing in disability determinations, licensed physician physicians, or physicians on the staff of the commissioner of health as designated by the commissioner may designate shall, to be the medical adviser of to the director system.~~

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

Sec. 11. Minnesota Statutes 2012, section 352.045, is amended by adding a subdivision to read:

Subd. 3a. **Contribution rate revision; general state employees retirement plan.** (a) Notwithstanding the contribution rates stated in plan law, the employee and employer contribution rates for the general state employees retirement plan must be adjusted:

(1) if the regular actuarial valuation of the plan under section 356.215 indicates that there is a contribution sufficiency greater than one percent of covered payroll and that the sufficiency has existed for at least two consecutive years, the employee and employer contribution rates must be decreased as determined under paragraph (b) to a level such that the sufficiency is no greater than one percent of covered payroll based on the most recent actuarial valuation; or

(2) if the regular actuarial valuation of the plan under section 356.215 indicates that there is a contribution deficiency equal to or greater than 0.5 percent of covered payroll and that the deficiency has existed for at least two consecutive years, the employee and employer contribution rates must be increased as determined under paragraph (c) to a level such that no deficiency exists based on the most recent actuarial valuation.

(b) If the actuarially required contribution of the plan is less than the total support provided by the combined employee and employer contribution rates by more than one percent of covered payroll, the plan employee and employer contribution rates must be decreased incrementally over one or more years by no more than 0.25 percent of pay each for employee and employer contribution rates to a level such that there remains a contribution sufficiency of at least one percent of covered payroll. No contribution rate decrease may be made until at least two years have elapsed since any adjustment under this paragraph has been fully implemented.

(c) If the actuarially required contribution exceeds the total support provided by the employee and employer contribution rates, the employee and employer contribution rates must be increased equally to eliminate that contribution deficiency. If the contribution deficiency is:

(1) less than two percent, the incremental increase may be up to 0.25 percent each for the employee and employer contribution rates;

(2) greater than 1.99 percent and less than 4.01 percent, the incremental increase may be up to 0.5 percent each for the employee and employer contribution rates; or

(3) greater than four percent, the incremental increase may be up to 0.75 percent each for the employee and employer contribution.

(d) Any recommended adjustment to the contribution rates must be reported to the chair and the executive director of the Legislative Commission on Pensions and Retirement by January 15 following receipt of the most recent annual actuarial valuation prepared under section 356.215. The report must include draft legislation to revise the employee and employer contributions stated in plan law. If the Legislative Commission on Pensions and Retirement does not recommend against the rate change or does not recommend a modification in the rate change, the recommended adjustment becomes effective on the first day of the first full payroll period in the fiscal year following receipt of the most recent actuarial valuation that gave rise to the adjustment.

(e) A contribution sufficiency of up to one percent of covered payroll must be held in reserve to be used to offset any future actuarially required contributions that are more than the total combined employee and employer contributions.

(f) Before any reduction in contributions to eliminate a sufficiency in excess of one percent of covered pay may be recommended, the executive director must review any need for a change in actuarial assumptions, as recommended by the actuary retained under section 356.214 in the most recent experience study of the general employees retirement plan prepared under section 356.215 and the standards for actuarial work promulgated by the Legislative Commission on Pensions and Retirement that may result in an increase in the actuarially required contribution and must report to the Legislative Commission on Pensions and Retirement any recommendation by the board to use the sufficiency exceeding one percent of covered payroll to offset the impact of an actuarial assumption change recommended by the actuary retained under section 356.214, subdivision 1, and reviewed by the actuary retained by the commission under section 356.214, subdivision 4.

(g) No contribution sufficiency in excess of one percent of covered pay may be proposed to be used to increase benefits, and no benefit increase may be proposed that would initiate an automatic adjustment to increase contributions under this subdivision. Any proposed benefit improvement must include a recommendation, prepared by the actuary retained under section 356.214, subdivision 1, and reviewed by the actuary retained by the Legislative Commission on Pensions and Retirement as provided under section 356.214, subdivision 4, on how the benefit modification will be funded.

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

Sec. 12. Minnesota Statutes 2012, section 352.045, is amended by adding a subdivision to read:

**Subd. 3b. Contribution rate revision; correctional state employees retirement plan and State Patrol retirement plan.** (a) Subdivision 3a applies to the correctional state employees retirement plan under this chapter and to the State Patrol retirement plan established under chapter 352B, except as stated in this subdivision.

(b) Any limitations on the amount of contribution rate changes stated in subdivision 3a apply only to the amount of the employee contribution revision. The employer contribution for the correctional state employees retirement plan or the State Patrol retirement plan, whichever is applicable, must be adjusted so that the employer contribution is equal to 60 percent of the sum of employee plus employer contributions.

(c) For the State Patrol retirement plan, a contribution sufficiency of up to two percent of covered payroll, rather than one percent, may be held in reserves without taking action to reduce employee and employer contributions.

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

Sec. 13. Minnesota Statutes 2012, section 352.113, subdivision 4, is amended to read:

**Subd. 4. Medical or psychological examinations; authorization for payment of benefit.** (a) Any physician, psychologist, chiropractor, or physician assistant providing any service specified in this section must be licensed.

(b) An applicant shall provide ~~medical, chiropractic, or psychological~~ a detailed report signed by a physician, and at least one additional report signed by a physician, chiropractor, psychologist, or physician assistant with evidence to support an application for total and permanent disability.

~~(b) The director shall have the employee examined by at least one additional licensed chiropractor, physician, or psychologist designated by the medical adviser. The chiropractors, physicians, or psychologists shall make written reports to the director concerning the employee's disability including~~ must include an expert opinions as to opinion regarding whether the employee is permanently and totally disabled within the meaning of section 352.01, subdivision 17, and that the disability arose before the employee was placed on any paid or unpaid leave of absence or terminated public service.

(c) If there is medical evidence that supports the expectation that at some point the person applying for the disability benefit will no longer be disabled, the decision granting the disability benefit may provide for a termination date upon which the total and permanent disability can be expected to no longer exist. When a termination date is part of the decision granting benefits, prior to the benefit termination the executive director shall review any evidence provided by the disabled employee to show that the disabling condition for which benefits were initially granted continues. If the benefits cease, the disabled employee may follow the appeal procedures described in section 356.96 or may reapply for disability benefits using the process described in this subdivision.

(d) Any claim to disability must be supported by a report from the employer indicating that there is no available work that the employee can perform with the disabling condition and that all reasonable accommodations have been considered. Upon request of the executive director, an employer shall provide evidence of the steps the employer has taken to attempt to provide reasonable accommodations and continued employment to the claimant.

~~(e)~~ (e) The director shall also obtain written certification from the employer stating whether the employment has ceased or whether the employee is on sick leave of absence because of a disability that will prevent further service to the employer and as a consequence ~~that~~ the employee is not entitled to compensation from the employer.

~~(d)~~ (f) The medical adviser shall consider the reports of the physicians, physician assistants, psychologists, and chiropractors and any other evidence supplied by the employee or other interested parties. If the medical adviser finds the employee totally and permanently disabled, the adviser shall make appropriate recommendation to the director in writing together with the date from which the employee has been totally disabled. The director shall then determine if the disability occurred within 18 months of filing the application, while still in the employment of the state, and the propriety of authorizing payment of a disability benefit as provided in this section.

(e) (g) A terminated employee may apply for a disability benefit within 18 months of termination as long as the disability occurred while in the employment of the state. The fact that an employee is placed on leave of absence without compensation because of disability does not bar that employee from receiving a disability benefit.

~~(f)~~ (h) Unless the payment of a disability benefit has terminated because the employee is no longer totally disabled, or because the employee has reached normal retirement age as provided in this section, the disability benefit must cease with the last payment received by the disabled employee or which had accrued during the lifetime of the employee unless there is a spouse surviving. In that event, the surviving spouse is entitled to the disability benefit for the calendar month in which the disabled employee died.

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

Sec. 14. Minnesota Statutes 2012, section 352.113, is amended by adding a subdivision to read:

Subd. 4a. **Independent medical examination or vocational rehabilitation counseling.** Any individual applying for or receiving disability benefits shall submit to an independent medical examination or an assessment by a certified rehabilitation counselor if requested by the executive director or designee. The examination must be paid for by the system.

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

Sec. 15. Minnesota Statutes 2012, section 352.113, subdivision 6, is amended to read:

Subd. 6. **Regular medical or psychological examinations.** At least once each year during the first five years following the allowance of a disability benefit to any employee, and at least once in every three-year period thereafter, the director may require any disabled employee to ~~undergo a~~ provide medical, chiropractic, or psychological ~~examination~~ evidence to support the continuation of the total and permanent disability. ~~The examination must be made at the place of residence of the employee, or at any place mutually agreed upon,~~ evidence must be in a form and manner prescribed by the executive director for review by an expert or experts designated by the medical adviser and engaged by the director. If any examination indicates the medical information provided to the medical adviser indicates that the employee is no longer permanently and totally disabled, or is engaged in or can engage in a gainful occupation, payments of the disability benefit by the fund must be discontinued. The payments must be discontinued as soon as the employee is reinstated to the payroll following a sick leave of absence, but in no case may payment be made for more than 60 days after the medical adviser finds that the employee is no longer permanently and totally disabled.

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

Sec. 16. Minnesota Statutes 2012, section 352.113, subdivision 8, is amended to read:

Subd. 8. **Refusal of examination.** If a ~~disabled employee~~ person applying for a disability benefit refuses to submit to ~~an expert a~~ a medical or psychological examination, the disability application shall be rejected. If a disability benefit recipient refuses to submit to a medical or psychological examination as required, payments by the fund must be discontinued and the director shall revoke all rights of the employee in any disability benefit.

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

Sec. 17. Minnesota Statutes 2012, section 352.113, is amended by adding a subdivision to read:

Subd. 14. **Disabilitant earnings reports.** Disability benefit recipients must report all earnings from reemployment and income from workers' compensation to the system annually by May 15 in a format prescribed by the executive director. If the form is not submitted by June 15, benefits must be suspended effective July 1. If the form deemed acceptable by the executive director is received after the June 15 deadline, benefits shall be reinstated retroactive to July 1.

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

Sec. 18. Minnesota Statutes 2012, section 352.22, subdivision 3, is amended to read:

Subd. 3. **Deferred annuity.** (a) An employee who has at least three years of allowable service if employed before July 1, 2010, or who has at least five years of allowable service if employed after June 30, 2010, when termination occurs may elect to leave the accumulated contributions in the fund and thereby be entitled to a deferred retirement annuity. The annuity must be computed under the law in effect when state service terminated, on the basis of the allowable service credited to the person before the termination of service.

(b) An employee on layoff or on leave of absence without pay, except a leave of absence for health reasons, and who does not return to state service must have an annuity, deferred annuity, or other benefit to which the employee may become entitled computed under the law in effect on the employee's last working day.

(c) No application for a deferred annuity may be made more than 60 days before the time the former employee reaches the required age for entitlement to the payment of the annuity. The deferred annuity begins to accrue no earlier than 60 days before the date the application is filed in the office of the system, but not (1) before the date on which the employee reaches the required age for entitlement to the annuity nor (2) before the day following the termination of state service in a position which is not covered by the retirement system.

(d) Application for the accumulated contributions left on deposit with the fund may be made at any time following the date of the termination of service.

(e) Deferred annuities must be augmented as provided in section 352.72, subdivision 2.

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

Sec. 19. Minnesota Statutes 2012, section 352.955, subdivision 1, is amended to read:

Subdivision 1. **Election to transfer prior MSRS-general service credit.** (a) An eligible employee described in paragraph (b) may elect to transfer service credit in the general state employees retirement plan of the Minnesota State Retirement System to the correctional state employees retirement plan for eligible prior correctional employment.

(b) An eligible employee is a person who is covered by ~~Laws 2007, chapter 134, article 3, section 6, or who became eligible for retirement coverage by the correctional state employees retirement plan of the Minnesota State Retirement System under Laws 2006, chapter 271, article 2, Laws 2007, chapter 134, article 3, or legislation implementing the recommendations under section 352.91, subdivision 4a.~~

(c) Eligible prior correctional employment is employment covered correctional service defined in Laws 2007, chapter 134, article 3, section 6, or is employment by the Department of Corrections or by the Department of Human Services that preceded the effective date of the retirement coverage transfer under Laws 2006, chapter 271, article 2, Laws 2007, chapter 134, article 3, or legislation implementing the recommendations under section 352.91, subdivision 4a by the general state employees retirement plan of the Minnesota State Retirement System, is continuous service, and is certified by the commissioner of corrections and the commissioner of human services, whichever applies, and by the commissioner of management and budget to the executive director of the Minnesota State Retirement System as service that would qualify for correctional state employees retirement plan coverage under section 352.91, if the service ~~was~~ had been rendered after the date of coverage transfer.

(d) The election to transfer past service credit under this section must be made in writing by the applicable person on a form prescribed by the executive director of the Minnesota State Retirement System and must be filed with the executive director of the Minnesota State Retirement System on or before ~~(1) January 1, 2008, or the one year anniversary of the coverage transfer, whichever is later, or (2) the date of the eligible employee's termination of state employment, whichever is earlier.~~

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

Sec. 20. Minnesota Statutes 2012, section 352.955, subdivision 3, is amended to read:

Subd. 3. **Payment of additional equivalent contributions; ~~post June 30, 2007, coverage transfers.~~** (a) An eligible employee who is transferred to plan coverage ~~after June 30, 2007,~~ and who elects to transfer past service credit under this section must pay an additional member contribution for that prior service period. The additional member contribution is the amount computed under paragraph (b), plus the greater of the amount computed under paragraph (c), or 40 percent of the unfunded actuarial accrued liability attributable to the past service credit transfer.



(b) The executive director shall compute, for the most recent 12 months of service credit eligible for transfer, or for the entire period eligible for transfer if less than 12 months, the difference between the employee contribution rate or rates for the general state employees retirement plan and the employee contribution rate or rates for the correctional state employees retirement plan applied to the eligible employee's salary during that transfer period, plus compound interest at a monthly rate of 0.71 percent.

(c) The executive director shall compute, for any service credit being transferred on behalf of the eligible employee and not included under paragraph (b), the difference between the employee contribution rate or rates for the general state employees retirement plan and the employee contribution rate or rates for the correctional state employees retirement plan applied to the eligible employee's salary during that transfer period, plus compound interest at a monthly rate of 0.71 percent.

(d) The executive director shall compute an amount using the process specified in paragraph (b), but based on differences in employer contribution rates between the general state employees retirement plan and the correctional state employees retirement plan rather than employee contribution rates.

(e) The executive director shall compute an amount using the process specified in paragraph (c), but based on differences in employer contribution rates between the general state employees retirement plan and the correctional state employees retirement plan rather than employee contribution rates.

(f) The additional equivalent member contribution under this subdivision must be paid in a lump sum. Payment must accompany the election to transfer the prior service credit. No transfer election or additional equivalent member contribution payment may be made by a person or accepted by the executive director after the one year anniversary date of the effective date of the retirement coverage transfer, or the date on which the eligible employee terminates state employment, whichever is earlier.

(g) If an eligible employee elects to transfer past service credit under this section and pays the additional equivalent member contribution amount under paragraph (a), the applicable department shall pay an additional equivalent employer contribution amount. The additional employer contribution is the amount computed under paragraph (d), plus the greater of the amount computed under paragraph (e), or 60 percent of the unfunded actuarial accrued liability attributable to the past service credit transfer.

(h) The unfunded actuarial accrued liability attributable to the past service credit transfer is the present value of the benefit obtained by the transfer of the service credit to the correctional state employees retirement plan reduced by the amount of the asset transfer under subdivision 4, by the amount of the member contribution equivalent payment computed under paragraph (b), and by the amount of the employer contribution equivalent payment computed under paragraph (d).

(i) The additional equivalent employer contribution under this subdivision must be paid in a lump sum and must be paid within 30 days of the date on which the executive director of the Minnesota State Retirement System certifies to the applicable department that the employee paid the additional equivalent member contribution.

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

Sec. 21. Minnesota Statutes 2012, section 352B.011, subdivision 13, is amended to read:

Subd. 13. **Surviving spouse.** "Surviving spouse" means a member's or former member's legally married spouse ~~who resided with the member or former member at the time of death and was married to the member or former member, for a period of at least one year, during or before the time of membership.~~

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

Sec. 22. Minnesota Statutes 2012, section 352B.10, is amended by adding a subdivision to read:

Subd. 7. **Disabilitant earnings reports.** Disability benefit recipients must report all earnings from reemployment and income from workers' compensation to the system annually by May 15 in a format prescribed by the executive director. If the form is not submitted by June 15, benefits must be suspended effective July 1. If the form deemed acceptable by the executive director is received after the June 15 deadline, benefits shall be reinstated retroactive to July 1.

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

Sec. 23. Minnesota Statutes 2012, section 352D.04, subdivision 2, is amended to read:

Subd. 2. **Contribution rates.** (a) The money used to purchase shares under this section is the employee and employer contributions provided in this subdivision.

(b) The employee contribution is an amount equal to the percent of salary specified in section 352.04, subdivision 2, or 352.045, subdivision 3 3a.

(c) The employer contribution is an amount equal to six percent of salary.

(d) For members of the legislature, the contributions under this subdivision also must be made on per diem payments received during a regular or special legislative session, but may not be made on per diem payments received outside of a regular or special legislative session, on the additional compensation attributable to a leadership position under section 3.099, subdivision 3, living expense payments under section 3.101, or special session living expense payments under section 3.103.

(e) For a judge who is a member of the unclassified plan under section 352D.02, subdivision 1, paragraph (c), clause (16), the employee contribution rate is eight percent of salary, and there is no employer contribution.

(f) These contributions must be made in the manner provided in section 352.04, subdivisions 4, 5, and 6.

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

Sec. 24. Minnesota Statutes 2012, section 356.20, subdivision 4, is amended to read:

Subd. 4. **Contents of financial report.** (a) The financial report required by this section must contain financial statements and disclosures that indicate the financial operations and position of the retirement plan and fund. The report must conform with generally accepted governmental accounting principles, applied on a consistent basis. The report must be audited.

(b) The report must include, ~~as part of its exhibits or its footnotes, an actuarial disclosure item based on a statement that~~ the actuarial valuation calculations prepared by the actuary retained under section 356.214 or by the actuary retained by the retirement fund or plan, whichever applies, ~~according to~~ comply with applicable actuarial requirements enumerated in section 356.215, and specified in the most recent standards for actuarial work adopted by the Legislative Commission on Pensions and Retirement. The actuarial value of assets, the actuarial accrued liabilities, ~~including accrued reserves,~~ and the unfunded actuarial accrued liability of the fund or plan must be disclosed. The ~~disclosure item report~~ must contain a ~~declaration~~ certification by the actuary retained under section 356.214 or the actuary retained by the fund or plan, whichever applies, specifying that ~~the required reserves for any retirement, disability, or survivor normal cost and the actuarial accrued liabilities for all benefits provided under a benefit formula~~ are computed in accordance with the entry age actuarial cost method and in accordance with the most recent applicable standards for actuarial work adopted by the Legislative Commission on Pensions and Retirement.

(c) The report must contain an itemized exhibit describing the administrative expenses of the plan, including, but not limited to, the following items, classified on a consistent basis from year to year, and with any further meaningful detail:

- (1) personnel expenses;
- (2) communication-related expenses;
- (3) office building and maintenance expenses;
- (4) professional services fees; and
- (5) other expenses.

(d) The report must contain an itemized exhibit describing the investment expenses of the plan, including, but not limited to, the following items, classified on a consistent basis from year to year, and with any further meaningful detail:

- (1) internal investment-related expenses; and
- (2) external investment-related expenses.

(e) Any additional statements or exhibits or more detailed or subdivided itemization of a disclosure item that will enable the management of the plan to portray a true interpretation of the plan's financial condition must be included in the additional statements or exhibits.

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

Sec. 25. Minnesota Statutes 2012, section 356.214, subdivision 1, is amended to read:

Subdivision 1. **Actuary retention.** (a) The governing board or managing or administrative official of each public pension plan and retirement fund or plan enumerated in paragraph (b) shall contract with an established actuarial consulting firm to conduct annual actuarial valuations and related services. The principal from the actuarial consulting firm on the contract must be an approved actuary under section 356.215, subdivision 1, paragraph (c).

(b) Actuarial services must include the preparation of actuarial valuations and related actuarial work for the following retirement plans:

- (1) the teachers retirement plan, Teachers Retirement Association;
- (2) the general state employees retirement plan, Minnesota State Retirement System;
- (3) the correctional employees retirement plan, Minnesota State Retirement System;
- (4) the State Patrol retirement plan, Minnesota State Retirement System;
- (5) the judges retirement plan, Minnesota State Retirement System;
- (6) the general employees retirement plan, Public Employees Retirement Association, including the MERF division;
- (7) the public employees police and fire plan, Public Employees Retirement Association;

- (8) the Duluth teachers retirement plan, Duluth Teachers Retirement Fund Association;
- (9) the St. Paul teachers retirement plan, St. Paul Teachers Retirement Fund Association;
- (10) the legislators retirement plan, Minnesota State Retirement System; and
- ~~(11) the elective state officers retirement plan, Minnesota State Retirement System; and~~
- ~~(12)~~ (11) the local government correctional service retirement plan, Public Employees Retirement Association.

(c) The actuarial valuation for the legislators retirement plan must include a separate calculation of total plan actuarial accrued liabilities due to constitutional officer coverage under section 3A.17.

~~(d)~~ (d) The contracts must require completion of the annual actuarial valuation calculations on a fiscal year basis, with the contents of the actuarial valuation calculations as specified in section 356.215, and in conformity with the standards for actuarial work adopted by the Legislative Commission on Pensions and Retirement.

The contracts must require completion of annual experience data collection and processing and a quadrennial published experience study for the plans listed in paragraph (b), clauses (1), (2), and (6), as provided for in the standards for actuarial work adopted by the commission. The experience data collection, processing, and analysis must evaluate the following:

- (1) individual salary progression;
- (2) the rate of return on investments based on the current asset value;
- (3) payroll growth;
- (4) mortality;
- (5) retirement age;
- (6) withdrawal; and
- (7) disablement.

~~(e)~~ (e) The actuary shall annually prepare a report to the governing or managing board or administrative official and the legislature, summarizing the results of the actuarial valuation calculations. The actuary shall include with the report any recommendations concerning the appropriateness of the support rates to achieve proper funding of the retirement plans by the required funding dates. The actuary shall, as part of the quadrennial experience study, include recommendations on the appropriateness of the actuarial valuation assumptions required for evaluation in the study.

~~(f)~~ (f) If the actuarial gain and loss analysis in the actuarial valuation calculations indicates a persistent pattern of sizable gains or losses, the governing or managing board or administrative official shall direct the actuary to prepare a special experience study for a plan listed in paragraph (b), clause (3), (4), (5), (7), (8), (9), (10), (11), or (12), in the manner provided for in the standards for actuarial work adopted by the commission.

**EFFECTIVE DATE.** This section is effective July 1, 2013.

Sec. 26. Minnesota Statutes 2012, section 356.215, subdivision 1, is amended to read:

Subdivision 1. **Definitions.** (a) For the purposes of sections 3.85 and 356.20 to 356.23, each of the terms in the following paragraphs has the meaning given.

(b) "Actuarial valuation" means a set of calculations prepared by an actuary retained under section 356.214 if so required under section 3.85, or otherwise, by an approved actuary, to determine the normal cost and the accrued actuarial liabilities of a benefit plan, according to the entry age actuarial cost method and based upon stated assumptions including, but not limited to rates of interest, mortality, salary increase, disability, withdrawal, and retirement and to determine the payment necessary to amortize over a stated period any unfunded accrued actuarial liability disclosed as a result of the actuarial valuation of the benefit plan.

(c) "Approved actuary" means a person who is regularly engaged in the business of providing actuarial services and who is a fellow in the Society of Actuaries.

(d) "Entry age actuarial cost method" means an actuarial cost method under which the actuarial present value of the projected benefits of each individual currently covered by the benefit plan and included in the actuarial valuation is allocated on a level basis over the service of the individual, if the benefit plan is governed by section 69.773, or over the earnings of the individual, if the benefit plan is governed by any other law, between the entry age and the assumed exit age, with the portion of the actuarial present value which is allocated to the valuation year to be the normal cost and the portion of the actuarial present value not provided for at the valuation date by the actuarial present value of future normal costs to be the actuarial accrued liability, with aggregation in the calculation process to be the sum of the calculated result for each covered individual and with recognition given to any different benefit formulas which may apply to various periods of service.

(e) "Experience study" means a report providing experience data and an actuarial analysis of the adequacy of the actuarial assumptions on which actuarial valuations are based.

(f) "Actuarial value of assets" means:

~~(1) For the July 1, 2012, actuarial valuation, the market value of all assets as of June 30, 2012, reduced by:~~

~~(i) 20 percent of the difference between the actual net change in the market value of assets other than the Minnesota postretirement investment fund between June 30, 2009, and June 30, 2008, and the computed increase in the market value of assets other than the Minnesota postretirement investment fund over that fiscal year period if the assets had earned a rate of return on assets equal to the annual percentage preretirement interest rate assumption used in the actuarial valuation for July 1, 2008;~~

~~(ii) 40 percent of the difference between the actual net change in the market value of total assets between June 30, 2010, and June 30, 2009, and the computed increase in the market value of total assets over that fiscal year period if the assets had earned a rate of return on assets equal to the annual percentage preretirement interest rate assumption used in the actuarial valuation for July 1, 2009;~~

~~(iii) 60 percent of the difference between the actual net change in the market value of total assets between June 30, 2011, and June 30, 2010, and the computed increase in the market value of total assets over that fiscal year period if the assets had earned a rate of return on assets equal to the annual percentage preretirement interest rate assumption used in the actuarial valuation for July 1, 2010;~~

~~(iv) 80 percent of the difference between the actual net change in the market value of total assets between June 30, 2012, and June 30, 2011, and the computed increase in the market value of total assets over that fiscal year period if the assets had earned a rate of return on assets equal to the annual percentage preretirement interest rate assumption used in the actuarial valuation for July 1, 2011; and~~

~~(v) if applicable, 20 percent of the difference between the actual net change in the market value of the Minnesota postretirement investment fund between June 30, 2009, and June 30, 2008, and the computed increase in the market value of assets over that fiscal year period if the assets had increased at 8.5 percent annually.~~

~~(2) For the July 1, 2013, and following actuarial valuations,~~ the market value of all assets as of the preceding June 30, reduced by:

~~(i) (1)~~ 20 percent of the difference between the actual net change in the market value of total assets between the June 30 that occurred three years earlier and the June 30 that occurred four years earlier and the computed increase in the market value of total assets over that fiscal year period if the assets had earned a rate of return on assets equal to the annual percentage preretirement interest rate assumption used in the actuarial valuation for the July 1 that occurred four years earlier;

~~(ii) (2)~~ 40 percent of the difference between the actual net change in the market value of total assets between the June 30 that occurred two years earlier and the June 30 that occurred three years earlier and the computed increase in the market value of total assets over that fiscal year period if the assets had earned a rate of return on assets equal to the annual percentage preretirement interest rate assumption used in the actuarial valuation for the July 1 that occurred three years earlier;

~~(iii) (3)~~ 60 percent of the difference between the actual net change in the market value of total assets between the June 30 that occurred one year earlier and the June 30 that occurred two years earlier and the computed increase in the market value of total assets over that fiscal year period if the assets had earned a rate of return on assets equal to the annual percentage preretirement interest rate assumption used in the actuarial valuation for the July 1 that occurred two years earlier; and

~~(iv) (4)~~ 80 percent of the difference between the actual net change in the market value of total assets between the most recent June 30 and the June 30 that occurred one year earlier and the computed increase in the market value of total assets over that fiscal year period if the assets had earned a rate of return on assets equal to the annual percentage preretirement interest rate assumption used in the actuarial valuation for the July 1 that occurred one year earlier.

(g) "Unfunded actuarial accrued liability" means the total current and expected future benefit obligations, reduced by the sum of the actuarial value of assets and the present value of future normal costs.

(h) "Pension benefit obligation" means the actuarial present value of credited projected benefits, determined as the actuarial present value of benefits estimated to be payable in the future as a result of employee service attributing an equal benefit amount, including the effect of projected salary increases and any step rate benefit accrual rate differences, to each year of credited and expected future employee service.

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

Sec. 27. Minnesota Statutes 2012, section 356.215, subdivision 8, is amended to read:

Subd. 8. **Interest and salary assumptions.** (a) The actuarial valuation must use the applicable following preretirement interest assumption and the applicable following postretirement interest assumption:

(1) select and ultimate interest rate assumption

plan	ultimate preretirement interest rate assumption	ultimate postretirement interest rate assumption
general state employees retirement plan	8.5%	6.0%
correctional state employees retirement plan	8.5	6.0
State Patrol retirement plan	8.5	6.0
legislators retirement plan, <u>and for the constitutional officers</u>		<del>2.0 until June 30, 2040, and</del>
<u>calculation of total plan liabilities</u>	0.0	<del>2.5 after June 30, 2040</del> 0.0

<del>elective state officers retirement plan</del>	0.0	<del>-2.0 until June 30, 2040, and -2.5 after June 30, 2040</del>
judges retirement plan	8.5	6.0
general public employees retirement plan	8.5	6.0
public employees police and fire retirement plan	8.5	6.0
local government correctional service retirement plan	8.5	6.0
teachers retirement plan	8.5	6.0
Duluth teachers retirement plan	8.5	8.5
St. Paul teachers retirement plan	8.5	8.5

Except for the legislators retirement plan and the ~~elective state constitutional officers retirement plan calculation of total plan liabilities~~, the select preretirement interest rate assumption for the period after June 30, 2012, through June 30, 2017, is 8.0 percent. Except for the legislators retirement plan and the ~~elective state constitutional officers retirement plan calculation of total plan liabilities~~, the select postretirement interest rate assumption for the period after June 30, 2012, through June 30, 2017, is 5.5 percent, except for the Duluth teachers retirement plan and the St. Paul teachers retirement plan, each with a select postretirement interest rate assumption for the period after June 30, 2012, through June 30, 2017, of 8.0 percent.

(2) single rate preretirement and postretirement interest rate assumption

plan	interest rate assumption
Bloomington Fire Department Relief Association	6.0
local monthly benefit volunteer firefighters relief associations	5.0

(b) The actuarial valuation must use the applicable following single rate future salary increase assumption, the applicable following modified single rate future salary increase assumption, or the applicable following graded rate future salary increase assumption:

(1) single rate future salary increase assumption

plan	future salary increase assumption
legislators retirement plan	5.0%
judges retirement plan	3.0
Bloomington Fire Department Relief Association	4.0

(2) age-related future salary increase age-related select and ultimate future salary increase assumption or graded rate future salary increase assumption

plan	future salary increase assumption
local government correctional service retirement plan	assumption C
Duluth teachers retirement plan	assumption A
St. Paul teachers retirement plan	assumption B

For plans other than the Duluth teachers retirement plan, the select calculation is: during the designated select period, a designated percentage rate is multiplied by the result of the designated integer minus T, where T is the number of completed years of service, and is added to the applicable future salary increase assumption. The designated select period is ten years and the designated integer is

ten for all retirement plans covered by this clause. The designated percentage rate is 0.3 percent for the St. Paul Teachers Retirement Fund Association. The select calculation for the Duluth Teachers Retirement Fund Association is 8.00 percent per year for service years one through seven, 7.25 percent per year for service years seven and eight, and 6.50 percent per year for service years eight and nine.

The ultimate future salary increase assumption is:

age	A	B	C
16	8.00%	6.90%	9.00%
17	8.00	6.90	9.00
18	8.00	6.90	9.00
19	8.00	6.90	9.00
20	6.90	6.90	9.00
21	6.90	6.90	8.75
22	6.90	6.90	8.50
23	6.85	6.85	8.25
24	6.80	6.80	8.00
25	6.75	6.75	7.75
26	6.70	6.70	7.50
27	6.65	6.65	7.25
28	6.60	6.60	7.00
29	6.55	6.55	6.75
30	6.50	6.50	6.75
31	6.45	6.45	6.50
32	6.40	6.40	6.50
33	6.35	6.35	6.50
34	6.30	6.30	6.25
35	6.25	6.25	6.25
36	6.20	6.20	6.00
37	6.15	6.15	6.00
38	6.10	6.10	6.00
39	6.05	6.05	5.75
40	6.00	6.00	5.75
41	5.90	5.95	5.75
42	5.80	5.90	5.50
43	5.70	5.85	5.25
44	5.60	5.80	5.25
45	5.50	5.75	5.00
46	5.40	5.70	5.00
47	5.30	5.65	5.00
48	5.20	5.60	5.00
49	5.10	5.55	5.00
50	5.00	5.50	5.00
51	4.90	5.45	5.00
52	4.80	5.40	5.00
53	4.70	5.35	5.00
54	4.60	5.30	5.00



55	4.50	5.25	4.75
56	4.40	5.20	4.75
57	4.30	5.15	4.50
58	4.20	5.10	4.25
59	4.10	5.05	4.25
60	4.00	5.00	4.25
61	3.90	5.00	4.25
62	3.80	5.00	4.25
63	3.70	5.00	4.25
64	3.60	5.00	4.25
65	3.50	5.00	4.00
66	3.50	5.00	4.00
67	3.50	5.00	4.00
68	3.50	5.00	4.00
69	3.50	5.00	4.00
70	3.50	5.00	4.00

## (3) service-related ultimate future salary increase assumption

general state employees retirement plan of the Minnesota State Retirement System	assumption A
general employees retirement plan of the Public Employees Retirement Association	assumption B
Teachers Retirement Association	assumption C
public employees police and fire retirement plan	assumption D
State Patrol retirement plan	assumption E
correctional state employees retirement plan of the Minnesota State Retirement System	assumption F

service length	A	B	C	D	E	F
1	10.50%	12.03%	12.00%	13.00%	8.00%	6.00%
2	8.10	8.90	9.00	11.00	7.50	5.85
3	6.90	7.46	8.00	9.00	7.00	5.70
4	6.20	6.58	7.50	8.00	6.75	5.55
5	5.70	5.97	7.25	6.50	6.50	5.40
6	5.30	5.52	7.00	6.10	6.25	5.25
7	5.00	5.16	6.85	5.80	6.00	5.10
8	4.70	4.87	6.70	5.60	5.85	4.95
9	4.50	4.63	6.55	5.40	5.70	4.80
10	4.40	4.42	6.40	5.30	5.55	4.65
11	4.20	4.24	6.25	5.20	5.40	4.55
12	4.10	4.08	6.00	5.10	5.25	4.45
13	4.00	3.94	5.75	5.00	5.10	4.35
14	3.80	3.82	5.50	4.90	4.95	4.25
15	3.70	3.70	5.25	4.80	4.80	4.15
16	3.60	3.60	5.00	4.80	4.65	4.05
17	3.50	3.51	4.75	4.80	4.50	3.95
18	3.50	3.50	4.50	4.80	4.35	3.85
19	3.50	3.50	4.25	4.80	4.20	3.75
20	3.50	3.50	4.00	4.80	4.05	3.75
21	3.50	3.50	3.90	4.70	4.00	3.75
22	3.50	3.50	3.80	4.60	4.00	3.75
23	3.50	3.50	3.70	4.50	4.00	3.75

24	3.50	3.50	3.60	4.50	4.00	3.75
25	3.50	3.50	3.50	4.50	4.00	3.75
26	3.50	3.50	3.50	4.50	4.00	3.75
27	3.50	3.50	3.50	4.50	4.00	3.75
28	3.50	3.50	3.50	4.50	4.00	3.75
29	3.50	3.50	3.50	4.50	4.00	3.75
30 or more	3.50	3.50	3.50	4.50	4.00	3.75

(c) The actuarial valuation must use the applicable following payroll growth assumption for calculating the amortization requirement for the unfunded actuarial accrued liability where the amortization retirement is calculated as a level percentage of an increasing payroll:

plan	payroll growth assumption
general state employees retirement plan of the Minnesota State Retirement System	3.75%
correctional state employees retirement plan	3.75
State Patrol retirement plan	3.75
judges retirement plan	3.00
general employees retirement plan of the Public Employees Retirement Association	3.75
public employees police and fire retirement plan	3.75
local government correctional service retirement plan	3.75
teachers retirement plan	3.75
Duluth teachers retirement plan	4.50
St. Paul teachers retirement plan	5.00

(d) The assumptions set forth in paragraphs (b) and (c) continue to apply, unless a different salary assumption or a different payroll increase assumption:

(1) has been proposed by the governing board of the applicable retirement plan;

(2) is accompanied by the concurring recommendation of the actuary retained under section 356.214, subdivision 1, if applicable, or by the approved actuary preparing the most recent actuarial valuation report if section 356.214 does not apply; and

(3) has been approved or deemed approved under subdivision 18.

**EFFECTIVE DATE.** This section is effective July 1, 2013.

Sec. 28. Minnesota Statutes 2012, section 356.30, subdivision 3, is amended to read:

Subd. 3. **Covered plans.** This section applies to the following retirement plans:

(1) the general state employees retirement plan of the Minnesota State Retirement System, established under chapter 352;

(2) the correctional state employees retirement plan of the Minnesota State Retirement System, established under chapter 352;

(3) the unclassified employees retirement program, established under chapter 352D;

- (4) the State Patrol retirement plan, established under chapter 352B;
- (5) the legislators retirement plan, established under chapter 3A, including constitutional officers as specified in that chapter;
- ~~(6) the elective state officers retirement plan, established under chapter 352C;~~
- ~~(7)~~ (6) the general employees retirement plan of the Public Employees Retirement Association, established under chapter 353, including the MERF division of the Public Employees Retirement Association;
- ~~(8)~~ (7) the public employees police and fire retirement plan of the Public Employees Retirement Association, established under chapter 353;
- ~~(9)~~ (8) the local government correctional service retirement plan of the Public Employees Retirement Association, established under chapter 353E;
- ~~(10)~~ (9) the Teachers Retirement Association, established under chapter 354;
- ~~(11)~~ (10) the St. Paul Teachers Retirement Fund Association, established under chapter 354A;
- ~~(12)~~ (11) the Duluth Teachers Retirement Fund Association, established under chapter 354A; and
- ~~(13)~~ (12) the judges retirement fund, established by chapter 490.

**EFFECTIVE DATE.** This section is effective July 1, 2013.

Sec. 29. Minnesota Statutes 2012, section 356.401, subdivision 3, is amended to read:

Subd. 3. **Covered retirement plans.** The provisions of this section apply to the following retirement plans:

- (1) the legislators retirement plan, established by chapter 3A, including constitutional officers as specified in that chapter;
- (2) the general state employees retirement plan of the Minnesota State Retirement System, established by chapter 352;
- (3) the correctional state employees retirement plan of the Minnesota State Retirement System, established by chapter 352;
- (4) the State Patrol retirement plan, established by chapter 352B;
- ~~(5) the elective state officers retirement plan, established by chapter 352C;~~
- ~~(6)~~ (5) the unclassified state employees retirement program, established by chapter 352D;
- ~~(7)~~ (6) the general employees retirement plan of the Public Employees Retirement Association, established by chapter 353, including the MERF division of the Public Employees Retirement Association;
- ~~(8)~~ (7) the public employees police and fire plan of the Public Employees Retirement Association, established by chapter 353;

(9) (8) the public employees defined contribution plan, established by chapter 353D;

(10) (9) the local government correctional service retirement plan of the Public Employees Retirement Association, established by chapter 353E;

(11) (10) the voluntary statewide lump-sum volunteer firefighter retirement plan, established by chapter 353G;

(12) (11) the Teachers Retirement Association, established by chapter 354;

(13) (12) the Duluth Teachers Retirement Fund Association, established by chapter 354A;

(14) (13) the St. Paul Teachers Retirement Fund Association, established by chapter 354A;

(15) (14) the individual retirement account plan, established by chapter 354B;

(16) (15) the higher education supplemental retirement plan, established by chapter 354C; and

(17) (16) the judges retirement fund, established by chapter 490.

**EFFECTIVE DATE.** This section is effective July 1, 2013.

Sec. 30. Minnesota Statutes 2012, section 356.415, subdivision 1a, is amended to read:

Subd. 1a. **Annual postretirement adjustments; Minnesota State Retirement System plans other than State Patrol retirement plan.** (a) Retirement annuity, disability benefit, or survivor benefit recipients of the legislators retirement ~~plan~~ plans, including constitutional officers as specified in chapter 3A, the general state employees retirement plan, the correctional state employees retirement plan, ~~the elected state officers retirement plan~~, the unclassified state employees retirement program, and the judges retirement plan are entitled to a postretirement adjustment annually on January 1, as follows:

(1) a postretirement increase of two percent must be applied each year, effective on January 1, to the monthly annuity or benefit of each annuitant or benefit recipient who has been receiving an annuity or a benefit for at least 18 full months before the January 1 increase; and

(2) for each annuitant or benefit recipient who has been receiving an annuity or a benefit for at least six full months, an annual postretirement increase of 1/12 of two percent for each month that the person has been receiving an annuity or benefit must be applied, effective January 1, following the calendar year in which the person has been retired for at least six months, but has been retired for less than 18 months.

(b) The increases provided by this subdivision commence on January 1, 2011. Increases under this subdivision for the general state employees retirement plan, the correctional state employees retirement plan, or the judges retirement plan terminate on December 31 of the calendar year in which the actuarial valuation prepared by the approved actuary under sections 356.214 and 356.215 and the standards for actuarial work promulgated by the Legislative Commission on Pensions and Retirement indicates that the market value of assets of the retirement plan equals or exceeds 90 percent of the actuarial accrued liability of the retirement plan and increases under subdivision 1 recommence after that date. Increases under this subdivision for the legislators retirement plan or the elected state officers retirement plan terminate on December 31 of the calendar year in which the actuarial valuation prepared by the approved actuary under sections 356.214 and 356.215 and the standards for actuarial work promulgated by the Legislative Commission on Pensions and Retirement indicates that the market value of assets of the general state employees retirement plan equals or exceeds 90 percent of the actuarial accrued liability of the retirement plan and increases under subdivision 1 recommence after that date.

(c) An increase in annuity or benefit payments under this subdivision must be made automatically unless written notice is filed by the annuitant or benefit recipient with the executive director of the applicable covered retirement plan requesting that the increase not be made.

**EFFECTIVE DATE.** This section is effective July 1, 2013.

Sec. 31. Minnesota Statutes 2012, section 356.415, subdivision 2, is amended to read:

Subd. 2. **Covered retirement plans.** The provisions of this section apply to the following retirement plans:

(1) the legislators retirement plan established under chapter 3A, including constitutional officers as specified in that chapter;

(2) the correctional state employees retirement plan of the Minnesota State Retirement System established under chapter 352;

(3) the general state employees retirement plan of the Minnesota State Retirement System established under chapter 352;

(4) the State Patrol retirement plan established under chapter 352B;

~~(5) the elective state officers retirement plan established under chapter 352C;~~

~~(6) (5) the general employees retirement plan of the Public Employees Retirement Association established under chapter 353, including the MERF division of the Public Employees Retirement Association;~~

~~(7) (6) the public employees police and fire retirement plan of the Public Employees Retirement Association established under chapter 353;~~

~~(8) (7) the local government correctional employees retirement plan of the Public Employees Retirement Association established under chapter 353E;~~

~~(9) (8) the teachers retirement plan established under chapter 354; and~~

~~(10) (9) the judges retirement plan established under chapter 490.~~

**EFFECTIVE DATE.** This section is effective July 1, 2013.

Sec. 32. **APPLICATION AND INTENT.**

Sections 2 to 8 and 25 to 31 merge the remaining provisions of the elective state officers retirement plan into the legislators retirement plan chapter to achieve administrative savings, including reduced cost for actuarial calculations. Nothing in those sections should be interpreted as modifying benefits or benefit eligibility compared to law in effect immediately before the effective date of this section.

**EFFECTIVE DATE.** This section is effective July 1, 2013.

Sec. 33. **REPEALER.**

(a) Minnesota Statutes 2012, sections 3A.02, subdivision 3; 352C.001; 352C.091, subdivision 1; and 352C.10, are repealed.

(b) Minnesota Statutes 2012, sections 352.045, subdivisions 3 and 4; and 352.955, subdivision 2, are repealed.

**EFFECTIVE DATE.** Paragraph (a) is effective July 1, 2013. Paragraph (b) is effective the day following final enactment.

ARTICLE 3  
PERA ADMINISTRATIVE PROVISIONS

Section 1. Minnesota Statutes 2012, section 353.01, subdivision 2b, is amended to read:

Subd. 2b. **Excluded employees.** (a) The following public employees are not eligible to participate as members of the association with retirement coverage by the general employees retirement plan, the local government correctional employees retirement plan under chapter 353E, or the public employees police and fire retirement plan:

- (1) persons whose salary from one governmental subdivision never exceeds \$425 in a month;
- (2) public officers who are elected to a governing body, city mayors, or persons who are appointed to fill a vacancy in an elective office of a governing body, whose term of office commences on or after July 1, 2002, for the service to be rendered in that elective position;
- (3) election officers or election judges;
- (4) patient and inmate personnel who perform services for a governmental subdivision;
- (5) except as otherwise specified in subdivision 12a, employees who are hired for a temporary position as defined under subdivision 12a, and employees who resign from a nontemporary position and accept a temporary position within 30 days in the same governmental subdivision;
- (6) employees who are employed by reason of work emergency caused by fire, flood, storm, or similar disaster;
- (7) employees who by virtue of their employment in one governmental subdivision are required by law to be a member of and to contribute to any of the plans or funds administered by the Minnesota State Retirement System, the Teachers Retirement Association, the Duluth Teachers Retirement Fund Association, the St. Paul Teachers Retirement Fund Association, or any police or firefighters relief association governed by section 69.77 that has not consolidated with the Public Employees Retirement Association, or any local police or firefighters consolidation account who have not elected the type of benefit coverage provided by the public employees police and fire fund under sections 353A.01 to 353A.10, or any persons covered by section 353.665, subdivision 4, 5, or 6, who have not elected public employees police and fire plan benefit coverage. This clause must not be construed to prevent a person from being a member of and contributing to the Public Employees Retirement Association and also belonging to and contributing to another public pension plan or fund for other service occurring during the same period of time. A person who meets the definition of "public employee" in subdivision 2 by virtue of other service occurring during the same period of time becomes a member of the association unless contributions are made to another public retirement fund on the salary based on the other service or to the Teachers Retirement Association by a teacher as defined in section 354.05, subdivision 2;
- (8) persons who are members of a religious order and are excluded from coverage under the federal Old Age, Survivors, Disability, and Health Insurance Program for the performance of service as specified in United States Code, title 42, section 410(a)(8)(A), as amended through January 1, 1987, if no irrevocable election of coverage has been made under section 3121(r) of the Internal Revenue Code of 1954, as amended;

(9) employees of a governmental subdivision who have not reached the age of 23 and are enrolled on a full-time basis to attend or are attending classes on a full-time basis at an accredited school, college, or university in an undergraduate, graduate, or professional-technical program, or a public or charter high school;

(10) resident physicians, medical interns, and pharmacist residents and pharmacist interns who are serving in a degree or residency program in public hospitals or clinics;

(11) students who are serving for up to five years in an internship or residency program sponsored by a governmental subdivision, including an accredited educational institution;

(12) persons who hold a part-time adult supplementary technical college license who render part-time teaching service in a technical college;

(13) except for employees of Hennepin County or Hennepin Healthcare System, Inc., foreign citizens who are employed by a governmental subdivision under a work permit, or an H-1b visa initially issued or extended for a combined period less than three years of employment. Upon extension of the employment beyond the three-year period, the foreign citizens must be reported for membership beginning the first of the month thereafter provided the monthly earnings threshold as provided under subdivision 2a is met;

(14) public hospital employees who elected not to participate as members of the association before 1972 and who did not elect to participate from July 1, 1988, to October 1, 1988;

(15) except as provided in section 353.86, volunteer ambulance service personnel, as defined in subdivision 35, but persons who serve as volunteer ambulance service personnel may still qualify as public employees under subdivision 2 and may be members of the Public Employees Retirement Association and participants in the general employees retirement plan or the public employees police and fire plan, whichever applies, on the basis of compensation received from public employment service other than service as volunteer ambulance service personnel;

(16) except as provided in section 353.87, volunteer firefighters, as defined in subdivision 36, engaging in activities undertaken as part of volunteer firefighter duties, but a person who is a volunteer firefighter may still qualify as a public employee under subdivision 2 and may be a member of the Public Employees Retirement Association and a participant in the general employees retirement plan or the public employees police and fire plan, whichever applies, on the basis of compensation received from public employment activities other than those as a volunteer firefighter;

(17) pipefitters and associated trades personnel employed by Independent School District No. 625, St. Paul, with coverage under a collective bargaining agreement by the pipefitters local 455 pension plan who were either first employed after May 1, 1997, or, if first employed before May 2, 1997, elected to be excluded under Laws 1997, chapter 241, article 2, section 12;

(18) electrical workers, plumbers, carpenters, and associated trades personnel who are employed by Independent School District No. 625, St. Paul, or the city of St. Paul, who have retirement coverage under a collective bargaining agreement by the Electrical Workers Local 110 pension plan, the United Association Plumbers Local 34 pension plan, or the pension plan applicable to Carpenters Local 87 who were either first employed after May 1, 2000, or, if first employed before May 2, 2000, elected to be excluded under Laws 2000, chapter 461, article 7, section 5;

(19) bricklayers, allied craftworkers, cement masons, glaziers, glassworkers, painters, allied tradesworkers, and plasterers who are employed by the city of St. Paul or Independent School District No. 625, St. Paul, with coverage under a collective bargaining agreement by the Bricklayers and Allied Craftworkers Local 1 pension plan, the Cement Masons Local 633 pension plan, the Glaziers and Glassworkers Local L-1324 pension plan, the Painters and Allied Trades Local 61 pension plan, or the Twin Cities Plasterers Local 265 pension plan who were either first employed after May 1, 2001, or if first employed before May 2, 2001, elected to be excluded under Laws 2001, First Special Session chapter 10, article 10, section 6;

(20) plumbers who are employed by the Metropolitan Airports Commission, with coverage under a collective bargaining agreement by the Plumbers Local 34 pension plan, who either were first employed after May 1, 2001, or if first employed before May 2, 2001, elected to be excluded under Laws 2001, First Special Session chapter 10, article 10, section 6;

(21) employees who are hired after June 30, 2002, to fill seasonal positions under subdivision 12b which are limited in duration by the employer to 185 consecutive calendar days or less in each year of employment with the governmental subdivision;

(22) persons who are provided supported employment or work-study positions by a governmental subdivision and who participate in an employment or industries program maintained for the benefit of these persons where the governmental subdivision limits the position's duration up to ~~three~~ five years or less, including persons participating in a federal or state subsidized on-the-job training, work experience, senior citizen, youth, or unemployment relief program where the training or work experience is not provided as a part of, or for, future permanent public employment;

(23) independent contractors and the employees of independent contractors;

(24) reemployed annuitants of the association during the course of that reemployment; and

(25) persons appointed to serve on a board or commission of a governmental subdivision or an instrumentality thereof.

(b) Any person performing the duties of a public officer in a position defined in subdivision 2a, paragraph (a), clause (3), is not an independent contractor and is not an employee of an independent contractor.

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

Sec. 2. Minnesota Statutes 2012, section 353.01, subdivision 16, is amended to read:

Subd. 16. **Allowable service; limits and computation.** (a) "Allowable service" means:

(1) service during years of actual membership in the course of which employee deductions were withheld from salary and contributions were made at the applicable rates under section 353.27, 353.65, or 353E.03;

(2) periods of service covered by payments in lieu of salary deductions under sections 353.27, subdivision 12, and 353.35;

(3) service in years during which the public employee was not a member but for which the member later elected, while a member, to obtain credit by making payments to the fund as permitted by any law then in effect;

(4) a period of authorized leave of absence with pay from which deductions for employee contributions are made, deposited, and credited to the fund;

(5) a period of authorized personal, parental, or medical leave of absence without pay, including a leave of absence covered under the federal Family Medical Leave Act, that does not exceed one year, and for which a member obtained service credit for each month in the leave period by payment under section 353.0161 to the fund made in place of salary deductions. An employee must return to public service and render a minimum of three months of allowable service in order to be eligible to make payment under section 353.0161 for a subsequent authorized leave of absence without pay. Upon payment, the employee must be granted allowable service credit for the purchased period;



(6) a periodic, repetitive leave that is offered to all employees of a governmental subdivision. The leave program may not exceed 208 hours per annual normal work cycle as certified to the association by the employer. A participating member obtains service credit by making employee contributions in an amount or amounts based on the member's average salary, excluding overtime pay, that would have been paid if the leave had not been taken. The employer shall pay the employer and additional employer contributions on behalf of the participating member. The employee and the employer are responsible to pay interest on their respective shares at the rate of 8.5 percent a year, compounded annually, from the end of the normal cycle until full payment is made. An employer shall also make the employer and additional employer contributions, plus 8.5 percent interest, compounded annually, on behalf of an employee who makes employee contributions but terminates public service. The employee contributions must be made within one year after the end of the annual normal working cycle or within 30 days after termination of public service, whichever is sooner. The executive director shall prescribe the manner and forms to be used by a governmental subdivision in administering a periodic, repetitive leave. Upon payment, the member must be granted allowable service credit for the purchased period;

(7) an authorized temporary or seasonal layoff under subdivision 12, limited to three months allowable service per authorized temporary or seasonal layoff in one calendar year. An employee who has received the maximum service credit allowed for an authorized temporary or seasonal layoff must return to public service and must obtain a minimum of three months of allowable service subsequent to the layoff in order to receive allowable service for a subsequent authorized temporary or seasonal layoff;

(8) a period during which a member is absent from employment by a governmental subdivision by reason of service in the uniformed services, as defined in United States Code, title 38, section 4303(13), if the member returns to public service with the same governmental subdivision upon discharge from service in the uniformed service within the time frames required under United States Code, title 38, section 4312(e), provided that the member did not separate from uniformed service with a dishonorable or bad conduct discharge or under other than honorable conditions. The service must be credited if the member pays into the fund equivalent employee contributions based upon the contribution rate or rates in effect at the time that the uniformed service was performed multiplied by the full and fractional years being purchased and applied to the annual salary rate. The annual salary rate is the average annual salary, ~~excluding overtime pay~~, during the purchase period that the member would have received if the member had continued to be employed in covered employment rather than to provide uniformed service, or, if the determination of that rate is not reasonably certain, the annual salary rate is the member's average salary rate, ~~excluding overtime pay~~, during the 12-month period of covered employment rendered immediately preceding the period of the uniformed service. Payment of the member equivalent contributions must be made during a period that begins with the date on which the individual returns to public employment and that is three times the length of the military leave period, or within five years of the date of discharge from the military service, whichever is less. If the determined payment period is less than one year, the contributions required under this clause to receive service credit may be made within one year of the discharge date. Payment may not be accepted following 30 days after termination of public service under subdivision 11a. If the member equivalent contributions provided for in this clause are not paid in full, the member's allowable service credit must be prorated by multiplying the full and fractional number of years of uniformed service eligible for purchase by the ratio obtained by dividing the total member contributions received by the total member contributions otherwise required under this clause. The equivalent employer contribution, and, if applicable, the equivalent additional employer contribution must be paid by the governmental subdivision employing the member if the member makes the equivalent employee contributions. The employer payments must be made from funds available to the employing unit, using the employer and additional employer contribution rate or rates in effect at the time that the uniformed service was performed, applied to the same annual salary rate or rates used to compute the equivalent member contribution. The governmental subdivision involved may appropriate money for those payments. The amount of service credit obtainable under this section may not exceed five years unless a longer purchase period is required under United States Code, title 38, section 4312. The employing unit shall pay interest on all equivalent member and employer contribution amounts payable under this clause. Interest must be computed at a rate of 8.5 percent compounded annually from the end of each fiscal year of the leave or the break in service to the end of the month in which the payment is received. Upon payment, the employee must be granted allowable service credit for the purchased period; or

(9) a period specified under section 353.0162.

(b) For calculating benefits under sections 353.30, 353.31, 353.32, and 353.33 for state officers and employees displaced by the Community Corrections Act, chapter 401, and transferred into county service under section 401.04, "allowable service" means the combined years of allowable service as defined in paragraph (a), clauses (1) to (6), and section 352.01, subdivision 11.

(c) For a public employee who has prior service covered by a local police or firefighters relief association that has consolidated with the Public Employees Retirement Association under chapter 353A or to which section 353.665 applies, and who has elected the type of benefit coverage provided by the public employees police and fire fund either under section 353A.08 following the consolidation or under section 353.665, subdivision 4, "allowable service" is a period of service credited by the local police or firefighters relief association as of the effective date of the consolidation based on law and on bylaw provisions governing the relief association on the date of the initiation of the consolidation procedure.

(d) No member may receive more than 12 months of allowable service credit in a year either for vesting purposes or for benefit calculation purposes. For an active member who was an active member of the former Minneapolis Firefighters Relief Association on December 29, 2011, "allowable service" is the period of service credited by the Minneapolis Firefighters Relief Association as reflected in the transferred records of the association up to December 30, 2011, and the period of service credited under paragraph (a), clause (1), after December 30, 2011. For an active member who was an active member of the former Minneapolis Police Relief Association on December 29, 2011, "allowable service" is the period of service credited by the Minneapolis Police Relief Association as reflected in the transferred records of the association up to December 30, 2011, and the period of service credited under paragraph (a), clause (1), after December 30, 2011.

(e) MS 2002 [Expired]

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

Sec. 3. Minnesota Statutes 2012, section 353.01, subdivision 17a, is amended to read:

Subd. 17a. **Average salary.** (a) "Average salary," ~~for purposes of calculating a retirement annuity under section 353.29, subdivision 3 unless otherwise specified,~~ means an amount equivalent to the average of the highest salary of the member, police officer, or firefighter, whichever applies, upon which employee contributions were paid for any five successive years of allowable service, based on dates of salary periods as listed on salary deduction reports. Average salary must be based upon all allowable service if this service is less than five years.

(b) "Average salary" may not include any reduced salary paid during a period in which the employee is entitled to benefit payments from workers' compensation for temporary disability, unless the average salary is higher, including this period.

(c) "Average salary," for purposes of calculating benefits for a surviving spouse or dependent children under section 353.657, subdivision 2 or 3, means the average of the full-time monthly base salary rate in effect during the last six months of allowable service. If the employment during the last six months of allowable service was part-time, the average salary must be prorated based on the actual number of hours worked.

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

Sec. 4. Minnesota Statutes 2012, section 353.01, subdivision 29, is amended to read:

Subd. 29. **Designated beneficiary.** "Designated beneficiary" means the person ~~or~~, organization, trust, or estate designated by a member, former member, ~~disabiltant, or retired member in writing, signed and filed with the association before the death of the member, former member, disabiltant, or retired member,~~ or a person legally authorized to act on

behalf of the member or former member to receive a refund of the balance of the member's or former member's accumulated deductions after death. A beneficiary designation is valid if it is made in the form prescribed by the executive director and is received by the association on or before the date of death of the member or former member. If a beneficiary designation is deemed to be invalid for any reason, any remaining balance of the member's or former member's accumulated deductions are subject to the provisions of section 353.32, subdivisions 4 and 5.

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

Sec. 5. Minnesota Statutes 2012, section 353.27, subdivision 7, is amended to read:

Subd. 7. **Adjustment for erroneous receipts or disbursements.** (a) Except as provided in paragraph (b), erroneous employee deductions and erroneous employer contributions and additional employer contributions to the general employees retirement plan of the Public Employees Retirement Association or to the public employees police and fire retirement plan for a person who otherwise does not qualify for membership under this chapter, are considered:

(1) valid if the initial erroneous deduction began before January 1, 1990. Upon determination of the error by the association, the person may continue membership in the association while employed in the same position for which erroneous deductions were taken, or file a written election to terminate membership and apply for a refund upon termination of public service or defer an annuity under section 353.34; or

(2) invalid, if the initial erroneous employee deduction began on or after January 1, 1990. Upon determination of the error, the association shall refund all erroneous employee deductions and all erroneous employer contributions as specified in paragraph (e). No person may claim a right to continued or past membership in the association based on erroneous deductions which began on or after January 1, 1990.

(b) Erroneous deductions taken from the salary of a person who did not qualify for membership in the general employees retirement plan of the Public Employees Retirement Association or in the public employees police and fire retirement plan by virtue of concurrent employment before July 1, 1978, which required contributions to another retirement fund or relief association established for the benefit of officers and employees of a governmental subdivision, are invalid. Upon discovery of the error, allowable service credit for all invalid service is forfeited and, upon termination of public service, the association shall refund all erroneous employee deductions to the person, with interest as determined under section 353.34, subdivision 2, and all erroneous employer contributions without interest to the employer. This paragraph has both retroactive and prospective application.

(c) Adjustments to correct employer contributions and employee deductions taken in error from amounts which are not salary under section 353.01, subdivision 10, must be made as specified in paragraph (e). The period of adjustment must be limited to the fiscal year in which the error is discovered by the association and the immediate two preceding fiscal years.

(d) If there is evidence of fraud or other misconduct on the part of the employee or the employer, the board of trustees may authorize adjustments to the account of a member or former member to correct erroneous employee deductions and employer contributions on invalid salary and the recovery of any overpayments for a period longer than provided for under paragraph (c).

(e) Upon discovery of the receipt of erroneous employee deductions and employer contributions under paragraph (a), clause (2), or paragraph (c), the association must require the employer to discontinue the erroneous employee deductions and erroneous employer contributions reported on behalf of a member. Upon discontinuation, the association must:

(1) for a member, provide a refund in the amount of the invalid employee deductions with interest on the invalid employee deductions at the rate specified under section 353.34, subdivision 2, from the received date of each invalid salary transaction through the date the credit or refund is made;

(2) for a former member who:

(i) is not receiving a retirement annuity or benefit, return the erroneous employee deductions to the former member through a refund with interest at the rate specified under section 353.34, subdivision 2, from the received date of each invalid salary transaction through the date the credit or refund is made; or

(ii) is receiving a retirement annuity or disability benefit, or a person who is receiving an optional annuity or survivor benefit, for whom it has been determined an overpayment must be recovered, adjust the payment amount and recover the overpayments as provided under this section; and

(3) return the invalid employer contributions reported on behalf of a member or former member to the employer by providing a credit against future contributions payable by the employer.

(f) In the event that a salary warrant or check from which a deduction for the retirement fund was taken has been canceled or the amount of the warrant or check returned to the funds of the department making the payment, a refund of the sum deducted, or any portion of it that is required to adjust the deductions, must be made to the department or institution.

(g) ~~If the accrual date of any association discovers that a retirement annuity, survivor benefit, or disability benefit is within the limitation period specified in paragraph (e), and an overpayment has resulted~~ has been incorrectly calculated by using invalid service or salary, or due to any erroneous calculation procedure, the association must recalculate the annuity or benefit payable and ~~recover any~~ begin payment of the corrected annuity or benefit effective the first of the month following discovery of the error. Any overpayment resulting from the incorrect calculation must be recovered as provided under subdivision 7b, if the accrual date, or any adjustment in the amount of the annuity or benefit calculated after the accrual date, except adjustments required under section 353.656, subdivision 4, falls within the current fiscal year and the two immediate previous fiscal years.

(h) Notwithstanding the provisions of this subdivision, the association may apply the Revenue Procedures defined in the federal Internal Revenue Service Employee Plans Compliance Resolution System and not issue a refund of erroneous employee deductions and employer contributions or not recover a small overpayment of benefits if the cost to correct the error would exceed the amount of the member refund or overpayment.

(i) Any fees or penalties assessed by the federal Internal Revenue Service for any failure by an employer to follow the statutory requirements for reporting eligible members and salary must be paid by the employer.

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

Sec. 6. Minnesota Statutes 2012, section 353.34, subdivision 1, is amended to read:

Subdivision 1. **Refund or deferred annuity.** (a) A former member is entitled to either a refund of accumulated employee deductions under subdivision 2, or to a deferred annuity under subdivision 3. Application for a refund may not be made before the date of termination of public service. ~~Except as specified in paragraph (b),~~ A refund must be paid within 120 days following receipt of the application unless the applicant has again become a public employee required to be covered by the association.

(b) If an individual was placed on layoff under section 353.01, subdivision 12 or 12c, a refund is not payable before termination of service under section 353.01, subdivision 11a.

(c) An individual who terminates public service covered by the Public Employees Retirement Association general employees retirement plan, the MERF division, the Public Employees Retirement Association police and fire retirement plan, or the public employees local government correctional service retirement plan, and who is employed by a different employer and who becomes an active member covered by one of the other two plans, may receive a refund of employee contributions plus annual compound interest from the plan from which the member terminated service at the applicable rate specified in subdivision 2.

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

Sec. 7. Minnesota Statutes 2012, section 353.34, subdivision 2, is amended to read:

Subd. 2. **Refund with interest.** (a) Except as provided in subdivision 1, any person who ceases to be a public employee is entitled to receive a refund in an amount equal to accumulated deductions with annual compound interest to the first day of the month in which the refund is processed.

(b) For a person who ceases to be a public employee before July 1, 2011, the refund interest is at the rate of six percent to June 30, 2011, and at the rate of four percent after June 30, 2011. For a person who ceases to be a public employee after July 1, 2011, the refund interest is at the rate of four percent.

(c) If a person repays a refund and subsequently applies for another refund, the repayment amount, including interest, is added to the fiscal year balance in which the repayment was made.

(d) If the refund payable to a member is based on employee deductions that are determined to be invalid under section 353.27, subdivision 7, the interest payable on the invalid employee deductions is four percent.

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

Sec. 8. Minnesota Statutes 2012, section 353.50, subdivision 3, is amended to read:

Subd. 3. **Service credit and benefit liability transfer.** (a) All allowable service credit and salary credit of the members of the Minneapolis Employees Retirement Fund as specified in the records of the Minneapolis Employees Retirement Fund through June 30, 2010, are transferred to the MERF division of the Public Employees Retirement Association and are credited by the MERF division. ~~Annuities or benefits of persons who are active members of the former Minneapolis Employees Retirement Fund on June 30, 2010, must be calculated under Minnesota Statutes 2008, sections 422A.11; 422A.12; 422A.13; 422A.14; 422A.15; 422A.151; 422A.155; 422A.156; 422A.16; 422A.17; 422A.18; 422A.19; 422A.20; and 422A.23, but are only eligible for automatic postretirement adjustments after December 31, 2010, under section 356.415.~~

(b) The liability for the payment of annuities and benefits of the Minneapolis Employees Retirement Fund retirees and benefit recipients as specified in the records of the Minneapolis Employees Retirement Fund on June 29, 2010, is transferred to the MERF division of the Public Employees Retirement Association on June 30, 2010.

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

Sec. 9. Minnesota Statutes 2012, section 353.50, subdivision 6, is amended to read:

Subd. 6. **Benefits.** (a) **Retired, disabled, deferred, and inactive member benefits.** The annuities and benefits of, or attributable to, retired, disabled, deferred, or inactive Minneapolis Employees Retirement Fund members with that status as of June 30, 2010, ~~with the exception of post-December 31, 2010, postretirement adjustments, which are governed by paragraph (b);~~ as calculated under Minnesota Statutes 2008, sections 422A.11; 422A.12; 422A.13; 422A.14; 422A.15; 422A.151; 422A.155; 422A.156; 422A.16; 422A.17; 422A.18; 422A.19; 422A.20; and 422A.23, continue in force ~~after the administrative consolidation under Laws 2010, chapter 359, article 11.~~

**(b) Benefits; benefit eligibility for June 30, 2010, active members.** Persons who were active members of the former Minneapolis Employees Retirement Fund on June 30, 2010, upon satisfying eligibility requirements stated in the applicable sections of Minnesota Statutes 2008 specified in paragraph (a), are entitled to annuities or benefits specified in those sections. Eligibility for a formula retirement annuity includes the requirement in Minnesota Statutes 2008, sections 422A.13 and 422A.16, that the terminating member has attained retirement age, which is age 60 if the person has at least ten years of service credit, or any age if the person has 30 or more years of service credit.

~~(b)~~ **(c) Postretirement adjustments.** After December 31, 2010, annuities and benefits from the MERF division are eligible for annual automatic postretirement adjustments solely under section 356.415.

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

Sec. 10. Minnesota Statutes 2012, section 353.657, subdivision 2, is amended to read:

Subd. 2. **Benefit amount.** (a) The spouse of a deceased member is entitled to receive a monthly benefit for life equal to the following percentage of the member's average ~~full-time monthly salary rate, as defined in section 353.01, subdivision 17a, paragraph (c),~~ as a member of the police and fire plan ~~in effect over the last six months of allowable service preceding the month in which death occurred:~~

(1) if the death was a line of duty death, 60 percent of the ~~stated~~ average salary is payable; and

(2) if the death was not a line of duty death or if death occurred while receiving disability benefits that accrued before July 1, 2007, 50 percent of the ~~stated~~ average salary is payable.

~~(b) If the member was a part-time employee in the position for which the employee qualified for participation in the police and fire plan, the monthly survivor benefit is based on the salary rate in effect for that member's part-time service during the last six months of allowable service. If the member's status changed from full-time to part-time for due to health reasons during the last year 12 months of employment, notwithstanding the definition of average salary in section 353.01, subdivision 17a, paragraph (c), the average salary used to compute the monthly survivor benefit is must be based on the full-time salary rate of the position held as a member of the police and fire plan in effect over the last six months of allowable service preceding the month in which the death occurred.~~

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

Sec. 11. Minnesota Statutes 2012, section 353.657, subdivision 2a, is amended to read:

Subd. 2a. **Death while eligible survivor benefit.** (a) If a member or former member who has attained the age of at least 50 years and either who is vested under section 353.01, subdivision 47, or who has credit for at least 30 years of allowable service, regardless of age attained, dies before the annuity or disability benefit becomes payable, notwithstanding any designation of beneficiary to the contrary, the surviving spouse may elect to receive a death while eligible survivor benefit.

(b) Notwithstanding the definition of surviving spouse in section 353.01, subdivision 20, a former spouse of the member, if any, is entitled to a portion of the death while eligible survivor benefit if stipulated under the terms of a marriage dissolution decree filed with the association. If there is no surviving spouse or child or children, a former spouse may be entitled to a lump-sum refund payment under section 353.32, subdivision 1, if provided for in a marriage dissolution decree but not a death while eligible survivor benefit despite the terms of a marriage dissolution decree filed with the association.

(c) The benefit may be elected instead of a refund with interest under section 353.32, subdivision 1, or surviving spouse benefits otherwise payable under subdivisions 1 and 2. The benefit must be an annuity equal to the 100 percent joint and survivor annuity which the member could have qualified for on the date of death, computed as provided in sections 353.651, ~~subdivisions 2 and~~ subdivision 3, and 353.30, subdivision 3.

(d) The surviving spouse may apply for the annuity at any time after the date on which the deceased employee would have attained the required age for retirement based on the employee's allowable service. Sections 353.34, subdivision 3, and 353.71, subdivision 2, apply to a deferred annuity payable under this subdivision.

(e) No payment accrues beyond the end of the month in which entitlement to such annuity has terminated. An amount equal to the excess, if any, of the accumulated contributions which were credited to the account of the deceased employee over and above the total of the annuities paid and payable to the surviving spouse must be paid to the deceased member's last designated beneficiary or, if none, to the legal representative of the estate of such deceased member.

(f) Any member may request in writing, with the signed consent of the spouse, that this subdivision not apply and that payment be made only to the designated beneficiary, as otherwise provided by this chapter.

(g) For a member who is employed as a full-time firefighter by the Department of Military Affairs of the state of Minnesota, allowable service as a full-time state Military Affairs Department firefighter credited by the Minnesota State Retirement System may be used in meeting the minimum allowable service requirement of this subdivision.

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

Sec. 12. Minnesota Statutes 2012, section 353.657, subdivision 3, is amended to read:

Subd. 3. **Dependent children.** (a) A dependent child, as defined in section 353.01, subdivision 15, is entitled to receive a monthly benefit equal to ten percent of the member's average ~~full-time monthly salary rate, as defined in section 353.01, subdivision 17a, paragraph (c), as a member of the police and fire plan in effect over the last six months of allowable service preceding the month in which death occurred.~~

(b) If the member's status changed from full-time to part-time due to health reasons during the last 12 months of employment, notwithstanding the definition of average salary in section 353.01, subdivision 17a, paragraph (c), the average salary used to compute the monthly dependent child benefit must be based on the full-time salary rate of the position held as a member of the police and fire plan in effect over the last six months of allowable service preceding the month in which the death occurred.

(c) Payments for the benefit of a dependent child must be made to the surviving parent, or to the legal guardian of the child or to any adult person with whom the child may at the time be living, provided only that the parent or other person to whom any amount is to be paid advises the board in writing that the amount will be held or used in trust for the benefit of the child.

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

Sec. 13. Minnesota Statutes 2012, section 353F.02, subdivision 3, is amended to read:

Subd. 3. **Effective date of privatization.** "Effective date of privatization" means the date that the operation of ~~the a~~ medical facility or other public employing unit is assumed by another employer or the date that ~~the a~~ medical facility or other public employing unit is purchased by another employer and active membership in the Public Employees Retirement Association consequently terminates.

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

Sec. 14. Minnesota Statutes 2012, section 353F.02, subdivision 4, is amended to read:

Subd. 4. **Medical facility.** "Medical facility" means:

(1) Bridges Medical Services;

- (2) Cedarview Care Center in Steele County;
- (3) the City of Cannon Falls Hospital;
- (4) the Chris Jenson Health and Rehabilitation Center in St. Louis County;
- (5) Cornerstone Nursing and Rehabilitation Center in Clearwater County ~~Memorial Hospital doing business as Clearwater Health Services in Bagley;~~
- (6) the Dassel Lakeside Community Home;
- (7) the Douglas County Hospital, with respect to the Mental Health Unit;
- (8) the Fair Oaks Lodge, Wadena;
- (9) the Glencoe Area Health Center;
- (10) Hutchinson Area Health Care;
- (11) Lake County Sunrise Home;
- ~~(11)~~ (12) the Lakefield Nursing Home;
- ~~(12)~~ (13) the Lakeview Nursing Home in Gaylord;
- ~~(13)~~ (14) the Luverne Public Hospital;
- ~~(14)~~ (15) the Oakland Park Nursing Home;
- ~~(15)~~ (16) the RenVilla Nursing Home;
- ~~(16)~~ (17) the Rice Memorial Hospital in Willmar, with respect to the Department of Radiology and the Department of Radiation/Oncology;
- ~~(17)~~ (18) the St. Peter Community Health Care Center;
- ~~(18)~~ (19) the Traverse Care Center in Traverse County;
- ~~(19)~~ (20) the Waconia-Ridgeview Medical Center;
- ~~(20)~~ (21) the Weiner Memorial Medical Center, Inc.;
- ~~(21)~~ (22) the Wheaton Community Hospital; and
- ~~(22)~~ (23) the Worthington Regional Hospital.

**EFFECTIVE DATE.** This section is effective the day following final enactment if Minnesota Statutes, section 353F.02, subdivision 4, is not repealed in the 2013 legislative session.

Sec. 15. Minnesota Statutes 2012, section 353F.02, is amended by adding a subdivision to read:

**Subd. 4a. Privatized former public employer.** "Privatized former public employer" means a medical facility or other employing unit formerly included in the definition of governmental subdivision under section 353.01, subdivision 6, that is privatized and whose employees are certified for participation under this chapter.



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

Sec. 16. Minnesota Statutes 2012, section 353F.02, subdivision 6, is amended to read:

Subd. 6. ~~Terminated medical facility or other~~ **Privatized former public employing unit employee.** "~~Terminated medical facility or other~~ (a) "Privatized former public employing unit employee" means a person who:

(1) was employed by the privatized former public employer on the day before the effective date ~~by the medical facility or other public employing unit of privatization~~; or

(2) terminated employment with the ~~medical facility or other~~ privatized former public employing unit employer on the day before the effective date; and

(3) was a participant in the general employees retirement plan of the Public Employees Retirement Association at the time of termination of employment with the ~~medical facility or other~~ privatized former public employing unit employer.

(b) Privatized former public employee does not mean a person who, on the day before the effective date of privatization, was simultaneously employed with the privatized former public employer and by a governmental subdivision under section 353.01, subdivision 6, and who, after the effective date of privatization, continues to accrue service credit under section 353.01, subdivision 16, through simultaneous employment with a governmental subdivision.

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

Sec. 17. Minnesota Statutes 2012, section 353F.025, subdivision 1, is amended to read:

Subdivision 1. **Eligibility determination.** (a) The chief clerical officer of a governmental subdivision may submit a resolution from the governing body to the executive director of the Public Employees Retirement Association which supports providing coverage under this chapter for employees of that governmental subdivision who are privatized, and which states that the governing body will pay for actuarial calculations, as further specified in paragraph (c).

(b) The governing body must also provide a copy of any applicable purchase or lease agreement and any other information requested by the executive director to allow the executive director to verify that under the proposed employer change, the new employer does not qualify as a governmental subdivision under section 353.01, subdivision 6, making the employees ineligible for continued coverage as active members of the general employees retirement plan of the Public Employees Retirement Association.

(c) Following receipt of a resolution and a determination by the executive director that the new employer is not a governmental subdivision, the executive director shall direct the consulting actuary retained under section 356.214 to determine whether the general employees retirement plan of the Public Employees Retirement Association, if coverage under this chapter is provided, is expected to receive a net gain or a net loss if privatization occurs. A net gain is expected if the actuarial liability of the special benefit coverage provided under this chapter, if extended to the applicable employees under the privatization, is less than the actuarial gain otherwise to accrue to the plan. A net loss is expected if the actuarial accrued liability of the special benefit coverage provided under this chapter, if extended to the applicable employees under the privatization, is more than the actuarial gain otherwise to accrue to the plan. The date of the actuarial calculations used to make this determination must be within one year of the effective date, ~~as defined in section 353F.02, subdivision 3~~ of privatization.

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

Sec. 18. Minnesota Statutes 2012, section 353F.025, subdivision 2, is amended to read:

Subd. 2. ~~Recommendation to legislature~~ **Reporting privatizations.** (a) If the actuarial calculations under subdivision 1, paragraph (c), indicate ~~that privatization can be approved because a net gain to the general employees retirement plan of the Public Employees Retirement Association is expected due to the privatization, or if paragraph (e) (b) applies, the executive director shall, following acceptance of the actuarial calculations by the board of trustees, forward a recommendation notice and supporting documentation, including a copy of the actuary's report and findings, to the chair of the Legislative Commission on Pensions and Retirement, the chair of the Governmental Operations, Reform, Technology and Elections Committee of the house of representatives, the chair of the State and Local Government Operations and Oversight Committee of the senate, and the executive director of the Legislative Commission on Pensions and Retirement and the chairs and the ranking minority members of the committees with jurisdiction over governmental operations in the house of representatives and senate. The recommendation must be in the form of an addition to the definition of "medical facility" under section 353F.02, subdivision 4, or to "other public employing unit" under section 353F.02, subdivision 5, whichever is applicable. The recommendation must be forwarded to the legislature before January 15 for the recommendation to be considered in that year's legislative session. The recommendation may be included as part of public pension administrative legislation under section 356B.05.~~

~~(b) If a medical facility or other public employing unit listed under section 353F.02, subdivision 4 or 5, fails to privatize within one year of the final enactment date of the legislation adding the entity to the applicable definition, its inclusion under this chapter is voided, and the executive director shall include in the subsequent proposed legislation under paragraph (a) a recommendation that the applicable entity be stricken from the definition.~~

~~(e) (b) If the calculations under subdivision 1, paragraph (c), indicate a net loss, the executive director shall forward a recommendation recommend to the board of trustees that the privatization be included as an addition under paragraph (a) approved if the chief clerical officer of the applicable governmental subdivision submits a resolution from the governing body specifying that a lump sum payment will be made to the executive director Public Employees Retirement Association equal to the net loss, plus interest. The interest must be computed using the applicable ultimate preretirement interest rate assumption under section 356.215, subdivision 8, expressed as a monthly rate, from the date of the actuarial valuation from which the actuarial accrued liability data was used to determine the net loss in the actuarial study under subdivision 1, to the date of payment, with annual compounding. Payment must be made on or after the effective date defined under section 353F.02 of privatization.~~

~~(c) The Public Employees Retirement Association must maintain a list that includes the names of all privatized former public employers in the association's comprehensive annual financial report and on the association's Web site. Annually by March 1, the association must submit to the executive director of the Legislative Commission on Pensions and Retirement the names of any privatized former public employers approved since the publication of the previous fiscal year's comprehensive annual financial report.~~

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

Sec. 19. Minnesota Statutes 2012, section 353F.03, is amended to read:

**353F.03 VESTING RULE FOR CERTAIN EMPLOYEES.**

Notwithstanding any provision of chapter 353 to the contrary, a ~~terminated medical facility or other privatized former public employing unit~~ employee is eligible to receive a retirement annuity under section 353.29 of the edition of Minnesota Statutes published in the year before the year in which the privatization occurred, without regard to the requirement specified in section 353.01, subdivision 47.

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

Sec. 20. Minnesota Statutes 2012, section 353F.04, is amended to read:

**353F.04 AUGMENTATION INTEREST RATES FOR ~~TERMINATED MEDICAL OR OTHER PRIVATIZED FORMER PUBLIC EMPLOYING UNIT FACILITY EMPLOYEES.~~**

Subdivision 1. **Enhanced augmentation rates.** (a) The deferred annuity of a ~~terminated medical facility or other privatized former public employing unit~~ employee is subject to augmentation under section 353.71, subdivision 2, of the edition of Minnesota Statutes published in the year in which the privatization occurred, except that the rate of augmentation is as specified in this subdivision.

(b) This paragraph applies if the ~~legislation adding the medical facility or other employing unit to section 353F.02, subdivision 4 or 5, as applicable, effective date of privatization was enacted before July 26, 2005, and became effective before January 1, 2008, for the Hutchinson Area Health Care on or before January 1, 2007, for all other medical facilities and all other employing units~~ and also applies to Hutchinson Area Health Care with a privatization effective date of January 1, 2008. For a ~~terminated medical facility or other privatized former public employing unit~~ employee, the augmentation rate is 5.5 percent compounded annually until January 1 following the year in which the person attains age 55. From that date to the effective date of retirement, the augmentation rate is 7.5 percent compounded annually.

(c) If paragraph (b) is not applicable, and if the effective date of the privatization is before January 1, 2011, the augmentation rate is four percent compounded annually until January 1, following the year in which the person attains age 55. From that date to the effective date of retirement, the augmentation rate is six percent compounded annually.

(d) If the effective date of the privatization is after December 31, 2010, the applicable augmentation rate depends on the result of computations specified in section 353F.025, subdivision 1. If those computations indicate no loss or a net gain to the fund of the general employees retirement plan of the Public Employees Retirement Association, the augmentation rate is 2.0 percent compounded annually until the effective date of retirement. If the computations under that subdivision indicate a net loss to the fund if a 2.0 percent augmentation rate is used, but a net gain or no loss if a 1.0 percent rate is used, then the augmentation rate is 1.0 percent compounded annually until the effective date of retirement.

~~(e) The term "effective date of the privatization" as used in this subdivision means the "effective date" as defined in section 353F.02, subdivision 3.~~

Subd. 2. **Exceptions.** The increased augmentation rates specified in subdivision 1 do not apply ~~if the terminated medical facility or other~~ to a privatized former public employing unit employee:

(1) beginning the first of the month in which the privatized former public employee becomes covered again by a retirement plan enumerated in section 356.30, subdivision 3, if the employee continues to be covered and accrues at least six months of credited service; ~~or~~

(2) beginning the first of the month after a privatized former public employee terminates service with the successor entity; ~~or~~

~~(3) if the person begins receipt of a retirement annuity while employed by the employer which assumed operations of or purchased the medical facility or other privatized former public employing unit or purchased the medical facility or other public employing unit employer.~~

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

Sec. 21. Minnesota Statutes 2012, section 353F.05, is amended to read:

**353F.05 AUTHORIZATION FOR ADDITIONAL ALLOWABLE SERVICE FOR EARLY RETIREMENT PURPOSES.**

(a) For the purpose of determining eligibility for early retirement benefits provided under section 353.30, subdivision 1a, of the edition of Minnesota Statutes published in the year before the year in which the privatization occurred, and notwithstanding any provision of chapter 353, to the contrary, the years of allowable service for a ~~terminated medical facility or other privatized former public employing unit~~ employee who transfers employment on the effective date of privatization and does not apply for a refund of contributions under section 353.34, subdivision 1, of the edition of Minnesota Statutes published in the year before the year in which the privatization occurred, or any similar provision, includes service with the successor employer to the ~~medical facility or other privatized former public employing unit~~ employer following the effective date. The successor employer shall provide any reports that the executive director of the Public Employees Retirement Association may reasonably request to permit calculation of benefits.

(b) To be eligible for early retirement benefits under this section, the individual must separate from service with the successor to the privatized former public employer ~~to the medical facility~~. The ~~terminated eligible individual privatized former public employee~~, or an individual authorized to act on behalf of that ~~individual employee~~, may apply for an annuity following application procedures under section 353.29, subdivision 4.

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

Sec. 22. Minnesota Statutes 2012, section 353F.051, subdivision 1, is amended to read:

Subdivision 1. **Eligibility.** A ~~terminated medical facility or other privatized former public employing unit~~ employee who is totally and permanently disabled under Minnesota Statutes 1998, section 353.01, subdivision 19, and who had a medically documented preexisting condition of the disability before the termination of coverage, may apply for a disability benefit.

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

Sec. 23. Minnesota Statutes 2012, section 353F.052, is amended to read:

**353F.052 APPLICATION OF SURVIVING SPOUSE, DEPENDENT CHILD PROVISION.**

Notwithstanding any provisions of law to the contrary, subdivisions within section 353.32 of the edition of Minnesota Statutes published in the year before the year in which a privatization occurred, applicable to the surviving spouse or dependent children of a former member as defined in section 353.01, subdivision 7a, apply to the survivors of a ~~terminated medical facility or other privatized former public employing unit~~ employee.

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

Sec. 24. **[353F.057] TERMINATION FROM SERVICE REQUIREMENT.**

Upon termination of service from the privatized former public employer or any successor entity after the effective date of privatization, a privatized former public employee must separate from any employment relationship with the privatized former public employer or any successor entity for at least 30 days to qualify to receive a retirement annuity under this chapter.

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

Sec. 25. Minnesota Statutes 2012, section 353F.06, is amended to read:

**353F.06 APPLICATION OF REEMPLOYED ANNUITANT EARNINGS LIMITATIONS.**

If a privatized former public employee satisfies the separation from service requirement in section 353F.057 and thereafter resumes employment with the privatized former public employer or any successor entity or a governmental subdivision under section 353.01, subdivision 6, the reemployed annuitant earnings limitations of section 353.37 apply to any service by a terminated medical facility or other public employing unit employee as an employee of the successor employer to the medical facility.

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

Sec. 26. Minnesota Statutes 2012, section 353F.07, is amended to read:

**353F.07 EFFECT ON REFUND.**

Notwithstanding any provision of chapter 353 to the contrary, ~~terminated medical facility or other privatized former public employing unit~~ employees may receive a refund of employee accumulated contributions plus interest as provided in section 353.34, subdivision 2, at any time after the transfer of employment to the successor employer of the ~~terminated medical facility or other privatized former public employing unit~~ employer. If a ~~terminated medical facility or other privatized former public employing unit~~ employee has received a refund from a pension plan listed in section 356.30, subdivision 3, the person may not repay that refund unless the person again becomes a member of one of those listed plans and complies with section 356.30, subdivision 2.

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

Sec. 27. Minnesota Statutes 2012, section 353F.08, is amended to read:

**353F.08 COUNSELING SERVICES.**

The ~~medical facility or other privatized former public employing unit~~ employer and the executive director of the Public Employees Retirement Association shall provide ~~terminated medical facility or other privatized former public employing unit~~ employees with counseling on their benefits available under the general employees retirement plan of the Public Employees Retirement Association during the 90 days following a period mutually agreed upon before or after the effective date of privatization.

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

Sec. 28. Minnesota Statutes 2012, section 356.415, subdivision 1, is amended to read:

Subdivision 1. **Annual postretirement adjustments; generally.** (a) Except as otherwise provided in subdivision 1a, 1b, 1c, 1d, or 1e, retirement annuity, disability benefit, or survivor benefit recipients of a covered retirement plan are entitled to a postretirement adjustment annually on January 1, as follows:

(1) a postretirement increase of 2.5 percent must be applied each year, effective January 1, to the monthly annuity or benefit of each annuitant or benefit recipient who has been receiving an annuity or a benefit for at least 12 full months prior to the January 1 increase; and

(2) for each annuitant or benefit recipient who has been receiving an annuity or a benefit amount for at least one full month, an annual postretirement increase of 1/12 of 2.5 percent for each month that the person has been receiving an annuity or benefit must be applied, effective on January 1 following the calendar year in which the person has been retired for less than 12 months.

(b) The increases provided by this subdivision commence on January 1, 2010.

(c) An increase in annuity or benefit payments under this section must be made automatically unless written notice is filed by the annuitant or benefit recipient with the executive director of the covered retirement plan requesting that the increase not be made.

~~(d) The retirement annuity payable to a person who retires before becoming eligible for Social Security benefits and who has elected the optional payment as provided in section 353.29, subdivision 6, must be treated as the sum of a period certain retirement annuity and a life retirement annuity for the purposes of any postretirement adjustment. The period certain retirement annuity plus the life retirement annuity must be the annuity amount payable until age 62 for section 353.29, subdivision 6. A postretirement adjustment granted on the period certain retirement annuity must terminate when the period certain retirement annuity terminates.~~

**EFFECTIVE DATE.** This section is effective January 1, 2014.

Sec. 29. Minnesota Statutes 2012, section 356.415, subdivision 1b, is amended to read:

Subd. 1b. **Annual postretirement adjustments; PERA; general employees retirement plan and local government correctional retirement plan.** (a) Retirement annuity, disability benefit, or survivor benefit recipients of the general employees retirement plan of the Public Employees Retirement Association and the local government correctional service retirement plan are entitled to a postretirement adjustment annually on January 1, as follows:

(1) for January 1, 2011, and each successive January 1 until funding stability is restored for the applicable retirement plan, a postretirement increase of one percent must be applied each year, effective on January 1, to the monthly annuity or benefit amount of each annuitant or benefit recipient who has been receiving an annuity or benefit for at least 12 full months as of the current June 30;

(2) for January 1, 2011, and each successive January 1 until funding stability is restored for the applicable retirement plan, for each annuitant or benefit recipient who has been receiving an annuity or a benefit for at least one full month, but less than 12 full months as of the current June 30, an annual postretirement increase of 1/12 of one percent for each month the person has been receiving an annuity or benefit must be applied;

(3) for each January 1 following the restoration of funding stability for the applicable retirement plan, a postretirement increase of 2.5 percent must be applied each year, effective January 1, to the monthly annuity or benefit amount of each annuitant or benefit recipient who has been receiving an annuity or benefit for at least 12 full months as of the current June 30; and

(4) for each January 1 following restoration of funding stability for the applicable retirement plan, for each annuity or benefit recipient who has been receiving an annuity or a benefit for at least one full month, but less than 12 full months as of the current June 30, an annual postretirement increase of 1/12 of 2.5 percent for each month the person has been receiving an annuity or benefit must be applied.

(b) Funding stability is restored when the market value of assets of the applicable retirement plan equals or exceeds 90 percent of the actuarial accrued liabilities of the applicable plan in the most recent prior actuarial valuation prepared under section 356.215 and the standards for actuarial work by the approved actuary retained by the Public Employees Retirement Association under section 356.214.

(c) If, after applying the increase as provided for in paragraph (a), clauses (3) and (4), the market value of the applicable retirement plan is determined in the next subsequent actuarial valuation prepared under section 356.215 to be less than 90 percent of the actuarial accrued liability of any of the applicable Public Employees Retirement Association plans, the increase provided in paragraph (a), clauses (1) and (2), are to be applied as of the next successive January until funding stability is again restored.

(d) An increase in annuity or benefit payments under this section must be made automatically unless written notice is filed by the annuitant or benefit recipient with the executive director of the Public Employees Retirement Association requesting that the increase not be made.

~~(e) The retirement annuity payable to a person who retires before becoming eligible for Social Security benefits and who has elected the optional payment, as provided in section 353.29, subdivision 6, must be treated as the sum of a period certain retirement annuity and a life retirement annuity for the purposes of any postretirement adjustment. The period certain retirement annuity plus the life retirement annuity must be the annuity amount payable until age 62 for section 353.29, subdivision 6. A postretirement adjustment granted on the period certain retirement annuity must terminate when the period certain retirement annuity terminates.~~

**EFFECTIVE DATE.** This section is effective January 1, 2014.

Sec. 30. Minnesota Statutes 2012, section 356.635, subdivision 1, is amended to read:

Subdivision 1. **Retirement benefit commencement.** (a) The retirement benefit of a member who has terminated employment must begin no later than the later of April 1 of the calendar year following the calendar year that the member attains the federal minimum distribution age under section 401(a)(9) of the Internal Revenue Code or April 1 of the calendar year following the calendar year in which the member terminated employment.

(b) The consent requirements of section 411(a)(11) of the Internal Revenue Code do not apply to the extent that a distribution is required to satisfy the requirements of section 401(a)(9) of the Internal Revenue Code.

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

Sec. 31. **REPEALER.**

(a) Minnesota Statutes 2012, sections 353F.02, subdivisions 4 and 5; and 353F.025, subdivision 3, are repealed.

(b) Minnesota Statutes 2012, section 353.29, subdivision 6, is repealed.

**EFFECTIVE DATE.** Paragraph (a) is effective the day following final enactment. Paragraph (b) is effective January 1, 2014.

#### ARTICLE 4 BENEFIT ACCRUAL RATE SPECIFICATION

Section 1. Minnesota Statutes 2012, section 352.115, subdivision 3, is amended to read:

Subd. 3. **Retirement annuity formula.** (a) This paragraph, in conjunction with section 352.116, subdivision 1, applies to a person who became a covered employee or a member of a pension fund listed in section 356.30, subdivision 3, before July 1, 1989, unless paragraph (b), in conjunction with section 352.116, subdivision 1a, produces a higher annuity amount, in which case paragraph (b) ~~will apply~~ applies. The employee's average salary, as defined in section 352.01, subdivision 14a, multiplied by ~~the 1.2 percent specified in section 356.315, subdivision 1,~~ per year of allowable service for the first ten years and ~~the 1.7 percent specified in section 356.315, subdivision 2,~~ for each later year of allowable service and pro rata for completed months less than a full year ~~shall determine~~ determines the amount of the retirement annuity to which the employee is entitled.

(b) This paragraph applies to a person who has become at least 55 years old and first became a covered employee after June 30, 1989, and to any other covered employee who has become at least 55 years old and whose annuity amount, when calculated under this paragraph and in conjunction with section 352.116, subdivision 1a, is higher than it is when calculated under paragraph (a), in conjunction with section 352.116, subdivision 1. The employee's average salary, as defined in section 352.01, subdivision 14a, multiplied by ~~the 1.7 percent specified in section 356.315, subdivision 2,~~ for each year of allowable service and pro rata for months less than a full year ~~shall determine~~ determines the amount of the retirement annuity to which the employee is entitled.

Sec. 2. Minnesota Statutes 2012, section 352.87, subdivision 3, is amended to read:

Subd. 3. **Retirement annuity formula.** A person specified in subdivision 1 is entitled to receive a retirement annuity applicable for allowable service credit under this section calculated by multiplying the employee's average salary, as defined in section 352.01, subdivision 14a, by ~~the 2.0 percent specified in section 356.315, subdivision 2a,~~ for each year or portions of a year of allowable service credit. No reduction for retirement before the normal retirement age, as specified in section 352.01, subdivision 25, applies to service to which this section applies.

Sec. 3. Minnesota Statutes 2012, section 352.93, subdivision 2, is amended to read:

Subd. 2. **Calculating monthly annuity.** The monthly annuity under this section must be determined by multiplying the average monthly salary by the number of years, or completed months, of covered correctional service by ~~the 2.4 percent specified in section 356.315, subdivision 5~~ if employed as a correctional state employee before July 1, 2010, or 2.2 percent if employed as a correctional state employee after June 30, 2010.

Sec. 4. Minnesota Statutes 2012, section 352.95, subdivision 1, is amended to read:

Subdivision 1. **Duty disability; computation of benefit.** A covered correctional employee who is determined to have a duty disability, physical or psychological, as defined under section 352.01, subdivision 17b, is entitled to a duty disability benefit. The duty disability benefit must be based on covered correctional service only. The duty disability benefit amount is 50 percent of the average salary defined in section 352.93, plus an additional 2.4 percent equal to that specified in section 356.315, subdivision 5, if employed as a correctional state employee before July 1, 2010, or 2.2 percent if employed as a correctional state employee after June 30, 2010, for each year of covered correctional service in excess of 20 years, ten months, prorated for completed months.

Sec. 5. Minnesota Statutes 2012, section 352B.08, subdivision 2, is amended to read:

Subd. 2. **Normal retirement annuity.** The annuity must be paid in monthly installments. The annuity ~~shall be~~ is equal to the amount determined by multiplying the average monthly salary of the member by ~~the 3.0 percent specified in section 356.315, subdivision 6,~~ for each year and pro rata for completed months of service.

Sec. 6. Minnesota Statutes 2012, section 352B.10, subdivision 1, is amended to read:

Subdivision 1. **Duty disability.** A member who is determined to qualify for duty disability as defined in section 352B.011, subdivision 7, is entitled to receive a duty disability benefit while disabled. The benefits must be paid monthly. The duty disability benefit is an amount equal to the member's average monthly salary multiplied by 60 percent, plus an additional 3.0 percent equal to that specified in section 356.315, subdivision 6, for each year and pro rata for completed months of service in excess of 20 years, if any.

Sec. 7. Minnesota Statutes 2012, section 353.29, subdivision 3, is amended to read:

Subd. 3. **Retirement annuity formula.** (a) This paragraph, in conjunction with section 353.30, subdivisions 1a, 1b, and 1c, applies to any member who first became a public employee or a member of a pension fund listed in section 356.30, subdivision 3, before July 1, 1989, unless paragraph (b), in conjunction with section 353.30, subdivision 5, produces a higher annuity amount, in which case paragraph (b) ~~will apply~~ applies. The average salary as defined in section 353.01, subdivision 17a, multiplied by ~~the 2.2 percent specified in section 356.315, subdivision 3,~~ for each year of allowable service for the first ten years and thereafter by ~~the 2.7 percent specified in section 356.315, subdivision 4,~~ per year of allowable service and completed months less than a full year for a basic member, and ~~the 1.2 percent specified in section 356.315, subdivision 1,~~ for each year of allowable service for the first ten years and thereafter by ~~the 1.7 percent specified in section 356.315, subdivision 2,~~ per year of allowable service and completed months less than a full year for a coordinated member ~~shall determine~~ determines the amount of the normal retirement annuity.



(b) This paragraph applies to a member who has become at least 55 years old and first became a public employee after June 30, 1989, and to any other member whose annuity amount, when calculated under this paragraph and in conjunction with section 353.30, subdivision 5, is higher than it is when calculated under paragraph (a), in conjunction with section 353.30, subdivisions 1a, 1b, and 1c. The average salary, as defined in section 353.01, subdivision 17a, multiplied by ~~the 2.7 percent specified in section 356.315, subdivision 4,~~ for each year of allowable service and completed months less than a full year for a basic member and ~~the 1.7 percent specified in section 356.315, subdivision 2,~~ per year of allowable service and completed months less than a full year for a coordinated member, ~~shall determine~~ determines the amount of the normal retirement annuity.

Sec. 8. Minnesota Statutes 2012, section 353.651, subdivision 3, is amended to read:

Subd. 3. **Retirement annuity formula.** The average salary as defined in section 353.01, subdivision 17a, multiplied by ~~the 3.0 percent specified in section 356.315, subdivision 6,~~ per year of allowable service determines the amount of the normal retirement annuity. If the member has earned allowable service for performing services other than those of a police officer or firefighter, the annuity representing that service must be computed under sections 353.29 and 353.30.

Sec. 9. Minnesota Statutes 2012, section 353.656, subdivision 1, is amended to read:

Subdivision 1. **Duty disability; computation of benefits.** (a) A member of the police and fire plan, other than a firefighter covered by section 353.6511, or a police officer covered by section 353.6512, who is determined to qualify for duty disability as defined in section 353.01, subdivision 41, ~~shall is entitled to~~ receive disability benefits during the period of such disability in an amount equal to 60 percent of the average salary as defined in section 353.01, subdivision 17a, plus an additional ~~percentage specified under section 356.315, subdivision 6,~~ 3.0 percent of that average salary for each year of service in excess of 20 years.

(b) To be eligible for a benefit under paragraph (a), the member must have:

- (1) not met the requirements for a retirement annuity under section 353.651, subdivision 1; or
- (2) met the requirements under that subdivision, but does not have at least 20 years of allowable service credit.

(c) If paragraph (b), clause (2), applies, the disability benefit must be paid for a period of 60 months from the disability benefit accrual date and at the end of that period is subject to provisions of subdivision 5a.

(d) If the disability under this subdivision occurs before the member has at least five years of allowable service credit in the police and fire plan, the disability benefit must be computed on the average salary from which deductions were made for contribution to the police and fire fund.

Sec. 10. Minnesota Statutes 2012, section 353.656, subdivision 1a, is amended to read:

Subd. 1a. **Total and permanent duty disability; computation of benefits.** (a) A member of the police and fire plan, other than a firefighter covered by section 353.6511, or a police officer covered by section 353.6512, whose disabling condition is determined to be a duty disability that is also a permanent and total disability as defined in section 353.01, subdivision 19, is entitled to receive, for life, disability benefits in an amount equal to 60 percent of the average salary as defined in section 353.01, subdivision 17a, plus an additional ~~3.0 percent specified in section 356.315, subdivision 6,~~ 3.0 percent of that average salary for each year of service in excess of 20 years.

(b) A disability benefit payable under paragraph (a) is subject to eligibility review under section 353.33, subdivision 6, but the review may be waived if the executive director receives a written statement from the association's medical advisor that no improvement can be expected in the member's disabling condition that was the

basis for payment of the benefit under paragraph (a). A member receiving a disability benefit under this subdivision who is found to no longer be permanently and totally disabled as defined under section 353.01, subdivision 19, but continues to meet the definition for receipt of a duty disability under section 353.01, subdivision 41, is subject to subdivision 1 upon written notice from the association's medical advisor that the person is no longer considered permanently and totally disabled.

(c) If a member approved for disability benefits under this subdivision dies before attaining normal retirement age as defined in section 353.01, subdivision 37, paragraph (b), or within 60 months of the effective date of the disability, whichever is later, the surviving spouse is entitled to receive a survivor benefit under section 353.657, subdivision 2, paragraph (a), clause (1), if the death is the direct result of the disabling condition for which disability benefits were approved, or section 353.657, subdivision 2, paragraph (a), clause (2), if the death is not directly related to the disabling condition for which benefits were approved under this subdivision.

(d) If the election of an actuarial equivalent optional annuity is not made at the time the permanent and total disability benefit accrues, an election must be made within 90 days before the member attains normal retirement age as defined under section 353.01, subdivision 37, paragraph (b), or having collected total and permanent disability benefits for 60 months, whichever is later. If a member receiving disability benefits who has dependent children dies, subdivision 6a, paragraph (c), applies.

Sec. 11. Minnesota Statutes 2012, section 353.656, subdivision 3a, is amended to read:

Subd. 3a. **Total and permanent regular disability; computation of benefits.** (a) A member of the police and fire plan, other than a firefighter covered by section 353.6511, or a police officer covered by section 353.6512, whose disabling condition is determined to be a regular disability under section 353.01, subdivision 46, that is also a permanent and total disability as defined in section 353.01, subdivision 19, is entitled to receive, for life, a disability benefit in an amount equal to 45 percent of the average salary as defined in section 353.01, subdivision 17a, plus an additional 3.0 percent ~~specified in section 356.315, subdivision 6,~~ of that average salary for each year of service in excess of 15 years.

(b) A disability benefit payable under paragraph (a) is subject to eligibility review under section 353.33, subdivision 6, but the review may be waived if the executive director receives a written statement from the association's medical advisor that no improvement can be expected in the member's disabling condition that was the basis for payment of the benefit under paragraph (a). A member receiving a disability benefit under this subdivision who is found to no longer be permanently and totally disabled as defined under section 353.01, subdivision 19, but continues to meet the definition for receipt of a regular disability under section 353.01, subdivision 46, is subject to subdivision 3 upon written notice from the association's medical advisor that the person is no longer considered permanently and totally disabled.

(c) A member approved for disability benefits under this subdivision may elect to receive a normal disability benefit or an actuarial equivalent optional annuity. If the election of an actuarial equivalent optional annuity is not made at the time the total and permanent disability benefit accrues, an election must be made within 90 days before the member attains normal retirement age as defined in section 353.01, subdivision 37, paragraph (b), or having collected disability benefits for 60 months, whichever is later. No surviving spouse benefits are payable if the member dies during the period in which a normal total and permanent disability benefit is being paid. If a member receiving disability benefits who has dependent children dies, subdivision 6a, paragraph (c), applies.

Sec. 12. Minnesota Statutes 2012, section 353E.04, subdivision 3, is amended to read:

Subd. 3. **Annuity amount.** (a) The average salary as defined in subdivision 2, multiplied by ~~the 1.9 percent specified in section 356.315, subdivision 5a,~~ the 1.9 percent, determines the amount of the normal retirement annuity.

(b) If a person has earned allowable service in the general employees retirement plan of the Public Employees Retirement Association or the public employees police and fire fund prior to retirement plan before participation under this chapter, the retirement annuity representing such service must be computed in accordance with the formula specified in sections 353.29 and 353.30 or 353.651, whichever applies.

Sec. 13. Minnesota Statutes 2012, section 353E.06, subdivision 1, is amended to read:

Subdivision 1. **Duty disability qualification requirements.** A local government correctional employee who is determined to qualify for a duty disability as defined in section 353E.001, subdivision 1, is entitled to a disability benefit. The disability benefit must be based on covered service under this chapter only and is an amount equal to 47.5 percent of the average salary defined in section 353E.04, subdivision 2, plus an additional 1.9 percent ~~equal to that specified in section 356.315, subdivision 5a,~~ for each year of covered service under this chapter in excess of 25 years.

Sec. 14. Minnesota Statutes 2012, section 354.44, subdivision 6, is amended to read:

Subd. 6. **Computation of formula program retirement annuity.** (a) The formula retirement annuity must be computed in accordance with the applicable provisions of the formulas stated in paragraph (b) or (d) on the basis of each member's average salary under section 354.05, subdivision 13a, for the period of the member's formula service credit.

(b) This paragraph, in conjunction with paragraph (c), applies to a person who first became a member of the association or a member of a pension fund listed in section 356.30, subdivision 3, before July 1, 1989, unless paragraph (d), in conjunction with paragraph (e), produces a higher annuity amount, in which case paragraph (d) applies. The average salary as defined in section 354.05, subdivision 13a, multiplied by the following percentages per year of formula service credit shall determine the amount of the annuity to which the member qualifying therefor is entitled for service rendered before July 1, 2006:

	Coordinated Member	Basic Member
Each year of service during first ten	<del>the 1.2 percent specified in section 356.315, subdivision 1,</del> per year	<del>the 2.2 percent specified in section 356.315, subdivision 3,</del> per year
Each year of service thereafter	<del>the 1.7 percent specified in section 356.315, subdivision 2,</del> per year	<del>the 2.7 percent specified in section 356.315, subdivision 4,</del> per year

For service rendered on or after July 1, 2006, the average salary as defined in section 354.05, subdivision 13a, multiplied by the following percentages per year of service credit, determines the amount the annuity to which the member qualifying therefor is entitled:

	Coordinated Member	Basic Member
Each year of service during first ten	<del>the 1.4 percent specified in section 356.315, subdivision 1a,</del> per year	<del>the 2.2 percent specified in section 356.315, subdivision 3,</del> per year
Each year of service after ten years of service	<del>the 1.9 percent specified in section 356.315, subdivision 2b,</del> per year	<del>the 2.7 percent specified in section 356.315, subdivision 4,</del> per year

(c)(i) This paragraph applies only to a person who first became a member of the association or a member of a pension fund listed in section 356.30, subdivision 3, before July 1, 1989, and whose annuity is higher when calculated under paragraph (b), in conjunction with this paragraph than when calculated under paragraph (d), in conjunction with paragraph (e).

(ii) Where any member retires prior to normal retirement age under a formula annuity, the member shall be paid a retirement annuity in an amount equal to the normal annuity provided in paragraph (b) reduced by one-quarter of one percent for each month that the member is under normal retirement age at the time of retirement except that for any member who has 30 or more years of allowable service credit, the reduction shall be applied only for each month that the member is under age 62.

(iii) Any member whose attained age plus credited allowable service totals 90 years is entitled, upon application, to a retirement annuity in an amount equal to the normal annuity provided in paragraph (b), without any reduction by reason of early retirement.

(d) This paragraph applies to a member who has become at least 55 years old and first became a member of the association after June 30, 1989, and to any other member who has become at least 55 years old and whose annuity amount when calculated under this paragraph and in conjunction with paragraph (e), is higher than it is when calculated under paragraph (b), in conjunction with paragraph (c). For a basic member, the average salary, as defined in section 354.05, subdivision 13a, multiplied by ~~the 2.7 percent specified by section 356.315, subdivision 4,~~ for each year of service for a basic member ~~shall determine~~ determines the amount of the retirement annuity to which the basic member is entitled. The annuity of a basic member who was a member of the former Minneapolis Teachers Retirement Fund Association as of June 30, 2006, must be determined according to the annuity formula under the articles of incorporation of the former Minneapolis Teachers Retirement Fund Association in effect as of that date. For a coordinated member, the average salary, as defined in section 354.05, subdivision 13a, multiplied by ~~the 1.7 percent specified in section 356.315, subdivision 2,~~ for each year of service rendered before July 1, 2006, and by ~~the 1.9 percent specified in section 356.315, subdivision 2b,~~ for each year of service rendered on or after July 1, 2006, determines the amount of the retirement annuity to which the coordinated member is entitled.

(e) This paragraph applies to a person who has become at least 55 years old and first becomes a member of the association after June 30, 1989, and to any other member who has become at least 55 years old and whose annuity is higher when calculated under paragraph (d) in conjunction with this paragraph than when calculated under paragraph (b), in conjunction with paragraph (c). An employee who retires under the formula annuity before the normal retirement age shall be paid the normal annuity provided in paragraph (d) reduced so that the reduced annuity is the actuarial equivalent of the annuity that would be payable to the employee if the employee deferred receipt of the annuity and the annuity amount were augmented at an annual rate of three percent compounded annually from the day the annuity begins to accrue until the normal retirement age if the employee became an employee before July 1, 2006, and at 2.5 percent compounded annually if the employee becomes an employee after June 30, 2006.

(f) No retirement annuity is payable to a former employee with a salary that exceeds 95 percent of the governor's salary unless and until the salary figures used in computing the highest five successive years average salary under paragraph (a) have been audited by the Teachers Retirement Association and determined by the executive director to comply with the requirements and limitations of section 354.05, subdivisions 35 and 35a.

Sec. 15. Minnesota Statutes 2012, section 354A.31, subdivision 4, is amended to read:

Subd. 4. **Computation of normal coordinated retirement annuity; St. Paul fund.** (a) This subdivision applies to the coordinated program of the St. Paul Teachers Retirement Fund Association.

(b) The normal coordinated retirement annuity is an amount equal to a retiring coordinated member's average salary under section 354A.011, subdivision 7a, multiplied by the retirement annuity formula percentage.

(c) This paragraph, in conjunction with subdivision 6, applies to a person who first became a member or a member in a pension fund listed in section 356.30, subdivision 3, before July 1, 1989, unless paragraph (d), in conjunction with subdivision 7, produces a higher annuity amount, in which case paragraph (d) will apply. The retirement annuity formula percentage for purposes of this paragraph is ~~the 1.2 percent specified in section 356.315, subdivision 1,~~ per year for each year of coordinated service for the first ten years and ~~the 1.7 percent specified in section 356.315, subdivision 2,~~ for each year of coordinated service thereafter.

(d) This paragraph applies to a person who has become at least 55 years old and who first becomes a member after June 30, 1989, and to any other member who has become at least 55 years old and whose annuity amount, when calculated under this paragraph and in conjunction with subdivision 7 is higher than it is when calculated under paragraph (c), in conjunction with the provisions of subdivision 6. The retirement annuity formula percentage for purposes of this paragraph is ~~the 1.7 percent specified in section 356.315, subdivision 2,~~ for each year of coordinated service.

Sec. 16. Minnesota Statutes 2012, section 354A.31, subdivision 4a, is amended to read:

Subd. 4a. **Computation of normal coordinated retirement annuity; Duluth fund.** (a) This subdivision applies to the new law coordinated program of the Duluth Teachers Retirement Fund Association.

(b) The normal coordinated retirement annuity is an amount equal to a retiring coordinated member's average salary under section 354A.011, subdivision 7a, multiplied by the retirement annuity formula percentage.

(c) This paragraph, in conjunction with subdivision 6, applies to a person who first became a member or a member in a pension fund listed in section 356.30, subdivision 3, before July 1, 1989, unless paragraph (d), in conjunction with subdivision 7, produces a higher annuity amount, in which case paragraph (d) applies. The retirement annuity formula percentage for purposes of this paragraph is ~~the 1.2 percent specified in section 356.315, subdivision 1,~~ per year for each year of coordinated service for the first ten years and ~~the 1.7 percent specified in section 356.315, subdivision 2,~~ for each subsequent year of coordinated service.

(d) This paragraph applies to a person who is at least 55 years old and who first becomes a member after June 30, 1989, and to any other member who is at least 55 years old and whose annuity amount, when calculated under this paragraph and in conjunction with subdivision 7, is higher than it is when calculated under paragraph (c) in conjunction with subdivision 6. The retirement annuity formula percentage for purposes of this paragraph is ~~the 1.7 percent specified in section 356.315, subdivision 2,~~ for each year of coordinated service.

Sec. 17. Minnesota Statutes 2012, section 356.30, subdivision 1, is amended to read:

Subdivision 1. **Eligibility; computation of annuity.** (a) Notwithstanding any provisions of the laws governing the retirement plans enumerated in subdivision 3, a person who has met the qualifications of paragraph (b) may elect to receive a retirement annuity from each enumerated retirement plan in which the person has at least one-half year of allowable service, based on the allowable service in each plan, subject to the provisions of paragraph (c).

(b) A person may receive, upon retirement, a retirement annuity from each enumerated retirement plan in which the person has at least one-half year of allowable service, and augmentation of a deferred annuity calculated at the appropriate rate under the laws governing each public pension plan or fund named in subdivision 3, based on the date of the person's initial entry into public employment from the date the person terminated all public service if:

(1) the person has allowable service in any two or more of the enumerated plans;

(2) the person has sufficient allowable service in total that equals or exceeds the applicable service credit vesting requirement of the retirement plan with the longest applicable service credit vesting requirement; and

(3) the person has not begun to receive an annuity from any enumerated plan or the person has made application for benefits from each applicable plan and the effective dates of the retirement annuity with each plan under which the person chooses to receive an annuity are within a one-year period.

(c) The retirement annuity from each plan must be based upon the allowable service, accrual rates, and average salary in the applicable plan except as further specified or modified in the following clauses:

(1) the laws governing annuities must be the law in effect on the date of termination from the last period of public service under a covered retirement plan with which the person earned a minimum of one-half year of allowable service credit during that employment;

(2) the "average salary" on which the annuity from each covered plan in which the employee has credit in a formula plan must be based on the employee's highest five successive years of covered salary during the entire service in covered plans;

(3) the accrual rates to be used by each plan must be those percentages prescribed by each plan's formula as continued for the respective years of allowable service from one plan to the next, recognizing all previous allowable service with the other covered plans;

(4) the allowable service in all the plans must be combined in determining eligibility for and the application of each plan's provisions in respect to reduction in the annuity amount for retirement prior to normal retirement age; and

(5) the annuity amount payable for any allowable service under a nonformula plan of a covered plan must not be affected, but such service and covered salary must be used in the above calculation.

(d) This section does not apply to any person whose final termination from the last public service under a covered plan was before May 1, 1975.

(e) For the purpose of computing annuities under this section, the accrual rates used by any covered plan, except the public employees police and fire plan, the judges retirement fund, and the State Patrol retirement plan, must not exceed ~~the 2.7 percent specified in section 356.315, subdivision 4,~~ per year of service for any year of service or fraction thereof. The formula percentage used by the judges retirement fund must not exceed ~~the percentage rate specified in section 356.315, subdivision 8,~~ 3.2 percent per year of service for any year of service or fraction thereof. The accrual rate used by the public employees police and fire plan and the State Patrol retirement plan must not exceed ~~the percentage rate specified in section 356.315, subdivision 6,~~ 3.0 percent per year of service for any year of service or fraction thereof. The accrual rate or rates used by the legislators retirement plan must not exceed 2.5 percent, but this limit does not apply to the adjustment provided under section 3A.02, subdivision 1, paragraph (c).

(f) Any period of time for which a person has credit in more than one of the covered plans must be used only once for the purpose of determining total allowable service.

(g) If the period of duplicated service credit is more than one-half year, or the person has credit for more than one-half year, with each of the plans, each plan must apply its formula to a prorated service credit for the period of duplicated service based on a fraction of the salary on which deductions were paid to that fund for the period divided by the total salary on which deductions were paid to all plans for the period.

(h) If the period of duplicated service credit is less than one-half year, or when added to other service credit with that plan is less than one-half year, the service credit must be ignored and a refund of contributions made to the person in accord with that plan's refund provisions.

Sec. 18. Minnesota Statutes 2012, section 356.315, subdivision 9, is amended to read:

Subd. 9. **Future benefit accrual rate increases.** After January 2, 1998, benefit accrual rate increases under ~~this section~~ section 352.115, subdivision 3; 352.87, subdivision 3; 352.93, subdivision 3; 352.95, subdivision 1; 352B.08, subdivision 2; 352B.10, subdivision 1; 353.29, subdivision 3; 353.651, subdivision 3; 353.656, subdivision 1, 1a, or 3a; 353E.04, subdivision 3; 353E.06, subdivision 1; 354.44, subdivision 6; 354A.31, subdivision 4 or 4a; 356.30, subdivision 1; 490.121, subdivision 22; or 490.124, subdivision 1, must apply only to allowable service or formula service rendered after the effective date of the benefit accrual rate increase.

Sec. 19. Minnesota Statutes 2012, section 490.121, subdivision 22, is amended to read:

Subd. 22. **Service credit limit.** "Service credit limit" means the greater of: (1) 24 years of allowable service under this chapter; or (2) for judges with allowable service rendered before July 1, 1980, the number of years of allowable service under chapter 490, which, when multiplied by the percentage ~~listed in section 356.315, subdivision 7~~ 2.7 or 3.2, whichever is applicable to each year of service, equals 76.8.

Sec. 20. Minnesota Statutes 2012, section 490.124, subdivision 1, is amended to read:

Subdivision 1. **Basic retirement annuity.** (a) Except as qualified hereinafter from and after the mandatory retirement date, the normal retirement date, the early retirement date, or one year from the disability retirement date, as the case may be, a retiring judge is eligible to receive a retirement annuity from the judges' retirement fund.

(b) The retirement annuity is an amount equal to: (1) ~~the 2.7 percent specified in section 356.315, subdivision 7,~~ multiplied by the judge's final average compensation with that result then multiplied by the number of years and fractions of years of allowable service rendered before July 1, 1980; plus (2) ~~the 3.2 percent specified in section 356.315, subdivision 8,~~ multiplied by the judge's final average compensation with that result then multiplied by the number of years and fractions of years of allowable service rendered after June 30, 1980.

(c) Service that exceeds the service credit limit in section 490.121, subdivision 22, must be excluded in calculating the retirement annuity, but the compensation earned by the judge during this period of judicial service must be used in determining a judge's final average compensation and calculating the retirement annuity.

Sec. 21. **REPEALER.**

Minnesota Statutes 2012, section 356.315, subdivisions 1, 1a, 2, 2a, 2b, 3, 4, 5, 5a, 6, 7, and 8, are repealed.

Sec. 22. **EFFECTIVE DATE.**

Sections 1 to 21 are effective the day following final enactment.

ARTICLE 5  
REVISIONS AND REPEALS OF FORMER LOCAL POLICE  
AND PAID FIREFIGHTER RELIEF ASSOCIATION LAWS

Section 1. Minnesota Statutes 2012, section 6.495, subdivision 1, is amended to read:

Subdivision 1. **Audit and examinations.** All powers and duties conferred and imposed upon the state auditor with respect to state, county, and first-class city officers, institutions, and property are hereby extended to the various fire ~~and police~~ relief associations in the state. The state auditor shall annually audit the special and general funds of the relief association or, at the request of the board of trustees or the municipality, the state auditor may contract for an annual audit by a certified public accountant. The state auditor may determine that an annual audit is not necessary, in which case the state auditor shall develop a plan for examination of unaudited relief associations, and shall prescribe suitable systems of accounts and budgeting, and forms, books, and instructions concerning the same.

Copies of the written report of the state auditor on the financial condition and accounts of the relief association ~~shall~~ must be filed with the board of trustees of the relief association and the governing body of the municipality associated with the relief association. If the report discloses malfeasance, misfeasance, or nonfeasance with regard to relief association funds, copies thereof ~~shall~~ must be filed with the city attorney or county attorney in the city or county in which the relief association is located, and these officials of the law shall institute proceedings, civil or criminal, as the law and public interest require.

Sec. 2. Minnesota Statutes 2012, section 6.495, subdivision 3, is amended to read:

Subd. 3. **Report to commissioner of revenue.** The state auditor shall file with the commissioner of revenue a financial compliance report certifying for each relief association:

(1) the completion of the annual financial report required ~~pursuant to~~ under section 69.051 and the auditing or certification of those financial reports ~~pursuant to~~ under subdivision 1; and

(2) the receipt of any actuarial valuations required ~~pursuant to~~ under section ~~69.77 or 69.773~~ or sections 31 to 42.

Sec. 3. Minnesota Statutes 2012, section 6.67, is amended to read:

**6.67 PUBLIC ACCOUNTANTS; REPORT OF POSSIBLE MISCONDUCT.**

Whenever a public accountant in the course of auditing the books and affairs of a political subdivision or a local public pension plan governed by ~~section 69.77~~, sections 69.771 to 69.775, or chapter 354A or 424A, or sections 31 to 42, discovers evidence pointing to nonfeasance, misfeasance, or malfeasance, on the part of an officer or employee in the conduct of duties and affairs, the public accountant shall promptly make a report of such discovery to the state auditor and the county attorney of the county in which the governmental unit is situated and the public accountant shall also furnish a copy of the report of audit upon completion to said officers. The county attorney shall act on such report in the same manner as required by law for reports made to the county attorney by the state auditor.

Sec. 4. Minnesota Statutes 2012, section 13D.01, subdivision 1, is amended to read:

Subdivision 1. **In executive branch, local government.** All meetings, including executive sessions, must be open to the public

(a) of a state

(1) agency,

(2) board,

(3) commission, or

(4) department,

when required or permitted by law to transact public business in a meeting;

(b) of the governing body of a

(1) school district however organized,

(2) unorganized territory,

(3) county,

(4) statutory or home rule charter city,

(5) town, or



(6) other public body;

(c) of any

(1) committee,

(2) subcommittee,

(3) board,

(4) department, or

(5) commission,

of a public body; and

(d) of the governing body or a committee of:

(1) a statewide public pension plan defined in section 356A.01, subdivision 24; or

(2) a local public pension plan governed by ~~section 69.77~~, sections 69.771 to 69.775, or chapter 354A, or sections 31 to 42.

Sec. 5. Minnesota Statutes 2012, section 69.011, subdivision 1, is amended to read:

Subdivision 1. **Definitions.** Unless the language or context clearly indicates that a different meaning is intended, the following words and terms, for the purposes of this chapter and chapters 423, 423A, 424 and 424A, have the meanings ascribed to them:

(a) "Commissioner" means the commissioner of revenue.

(b) "Municipality" means:

(1) a home rule charter or statutory city;

(2) an organized town;

(3) a park district subject to chapter 398;

(4) the University of Minnesota;

(5) for purposes of the fire state aid program only, an American Indian tribal government entity located within a federally recognized American Indian reservation;

(6) for purposes of the police state aid program only, an American Indian tribal government with a tribal police department which exercises state arrest powers under section 626.90, 626.91, 626.92, or 626.93;

(7) for purposes of the police state aid program only, the Metropolitan Airports Commission; and

(8) for purposes of the police state aid program only, the Department of Natural Resources and the Department of Public Safety with respect to peace officers covered under chapter 352B.

(c) "Minnesota Firetown Premium Report" means a form prescribed by the commissioner containing space for reporting by insurers of fire, lightning, sprinkler leakage and extended coverage premiums received upon risks located or to be performed in this state less return premiums and dividends.

(d) "Firetown" means the area serviced by any municipality having a qualified fire department or a qualified incorporated fire department having a subsidiary volunteer firefighters' relief association.

(e) "Market value" means latest available market value of all property in a taxing jurisdiction, whether the property is subject to taxation, or exempt from ad valorem taxation obtained from information which appears on abstracts filed with the commissioner of revenue or equalized by the State Board of Equalization.

(f) "Minnesota Aid to Police Premium Report" means a form prescribed by the commissioner for reporting by each fire and casualty insurer of all premiums received upon direct business received by it in this state, or by its agents for it, in cash or otherwise, during the preceding calendar year, with reference to insurance written for insuring against the perils contained in auto insurance coverages as reported in the Minnesota business schedule of the annual financial statement which each insurer is required to file with the commissioner in accordance with the governing laws or rules less return premiums and dividends.

(g) "Peace officer" means any person:

(1) whose primary source of income derived from wages is from direct employment by a municipality or county as a law enforcement officer on a full-time basis of not less than 30 hours per week;

(2) who has been employed for a minimum of six months prior to December 31 preceding the date of the current year's certification under subdivision 2, clause (b);

(3) who is sworn to enforce the general criminal laws of the state and local ordinances;

(4) who is licensed by the Peace Officers Standards and Training Board and is authorized to arrest with a warrant; and

(5) who is a member of the State Patrol retirement plan or the public employees police and fire fund.

(h) "Full-time equivalent number of peace officers providing contract service" means the integral or fractional number of peace officers which would be necessary to provide the contract service if all peace officers providing service were employed on a full-time basis as defined by the employing unit and the municipality receiving the contract service.

(i) "Retirement benefits other than a service pension" means any disbursement authorized under section 424A.05, subdivision 3, clauses (3) and (4).

(j) "Municipal clerk, municipal clerk-treasurer, or county auditor" means:

(1) for the police state aid program ~~and police relief association financial reports:~~

(i) the person who was elected or appointed to the specified position or, in the absence of the person, another person who is designated by the applicable governing body;

(ii) in a park district, the secretary of the board of park district commissioners;

(iii) in the case of the University of Minnesota, the official designated by the Board of Regents;

(iv) for the Metropolitan Airports Commission, the person designated by the commission;

(v) for the Department of Natural Resources or the Department of Public Safety, the respective commissioner;

(vi) for a tribal police department which exercises state arrest powers under section 626.90, 626.91, 626.92, or 626.93, the person designated by the applicable American Indian tribal government; and

(2) for the fire state aid program and fire relief association financial reports, the person who was elected or appointed to the specified position, or, for governmental entities other than counties, if the governing body of the governmental entity designates the position to perform the function, the chief financial official of the governmental entity or the chief administrative official of the governmental entity.

(k) "Voluntary statewide lump-sum volunteer firefighter retirement plan" means the retirement plan established by chapter 353G.

Sec. 6. Minnesota Statutes 2012, section 69.011, subdivision 2, is amended to read:

Subd. 2. **Qualification for fire or police state aid.** (a) Unless retirement coverage is provided by the voluntary statewide lump-sum volunteer firefighter retirement plan, in order to qualify to receive fire state aid, on or before March 15 annually, in conjunction with the financial report required pursuant to section 69.051, the clerk of each municipality having a duly organized fire department as provided in subdivision 4, or the secretary of each independent nonprofit firefighting corporation having a subsidiary incorporated firefighters' relief association, whichever is applicable, and the fire chief, shall jointly certify the existence of the municipal fire department or of the independent nonprofit firefighting corporation, whichever is applicable, which meets the minimum qualification requirements set forth in this subdivision, and the fire personnel and equipment of the municipal fire department or the independent nonprofit firefighting corporation as of the preceding December 31.

(b) Where retirement coverage is provided by the voluntary statewide lump-sum volunteer firefighter retirement plan, in order to qualify to receive fire state aid, on or before March 15, annually, the executive director of the Public Employees Retirement Association shall certify the existence of that coverage for each municipality and the municipal clerk or independent nonprofit firefighting corporation secretary, whichever applies, and the applicable fire chief shall certify the fire personnel and fire department equipment as of the preceding December 31.

~~(c) Certification must be made to the commissioner on a form prescribed by the commissioner and shall include any other facts the commissioner may require. The certification must be made to the commissioner in duplicate. Each copy of the certificate must be duly executed and is deemed to be an original. The commissioner shall forward one copy to the auditor of the county wherein the fire department is located and shall retain one copy.~~

~~(d) On or before March 15 annually the clerk of each municipality having a duly organized police department and having a duly incorporated relief association shall certify that fact to the county auditor of the county where the police department is located and to the commissioner on a form prescribed by the commissioner together with the other facts the commissioner or auditor may require.~~

~~(e)~~ (c) Except as provided in subdivision 2b, on or before March 15 annually, in order to qualify to receive police state aid, the clerk of each municipality and the auditor of each county employing one or more peace officers as defined in subdivision 1, clause (g), shall certify the number of such peace officers to the commissioner on forms prescribed by the commissioner. Credit for officers employed less than a full year must be apportioned. Each full month of employment of a qualifying officer during the calendar year entitles the employing municipality or county to credit for 1/12 of the payment for employment of a peace officer for the entire year. For purposes of sections 69.011 to 69.051, employment of a peace officer commences when the peace officer is entered on the payroll of the respective municipal police department or county sheriff's department. No peace officer may be included in the certification of the number of peace officers by more than one ~~municipality or county~~ municipality or county employing unit for the same month.

(d) A certification made under this subdivision must be filed with the commissioner, must be made on a form prescribed by the commissioner, and must include any other facts that the commissioner requires.

Sec. 7. Minnesota Statutes 2012, section 69.011, subdivision 3, is amended to read:

Subd. 3. **Failure to file certificate deemed waiver.** (a) If a certification required by this section is not filed with the commissioner by the due date prescribed by this section, the commissioner shall notify the county, the municipality, or the nonprofit firefighting corporation that a portion or all of its current year aid will be forfeited if the certification is not received within ten days.

(b) The amount of aid forfeited is equal to the amount of state police aid or state fire aid determined for the county, the municipality, or the nonprofit firefighting corporation for the current year, multiplied by five percent for each week or fraction of a week that this certification is late. The penalty ~~will~~ must be computed beginning ten days after the postmark date of the commissioner's notification as required under this subdivision. All forfeited aid amounts revert to the general fund in the state treasury. Failure to receive the certificate form ~~cannot~~ may not be used as a defense for ~~not filing a failure to file.~~

Sec. 8. Minnesota Statutes 2012, section 69.011, subdivision 4, is amended to read:

Subd. 4. **Qualification for fire state aid.** ~~Any~~ (a) A municipality in this state qualifies to receive fire state aid if it meets the general requirements of paragraph (b) and if it meets the specific requirements of paragraph (c).

(b) Minimum qualifications for fire state aid include the following:

(1) having for more than one year an organized fire department and officially established by the governing body of the municipality or an independent nonprofit firefighting corporation created under the nonprofit corporation act of this state and operating exclusively for firefighting purposes and providing retirement and relief benefits to its members; and

(2) having a separate subsidiary incorporated firefighter's relief and pension association providing retirement and relief benefits, or participating in the voluntary statewide lump-sum volunteer firefighter retirement plan, may qualify to receive state aid if it meets the following or, if a paid fire department, having retirement coverage by the public employees police and fire retirement plan.

(c) Minimum requirements for fire state aid also include the following or their equivalent as determined by the state fire marshal by July 1, 1972:

~~(a)~~ (1) having ten paid or volunteer firefighters including a fire chief and assistant fire chief, ~~and;~~

~~(b)~~ (2) having regular scheduled meetings and frequent drills including instructions in firefighting tactics and in the use, care, and operation of all fire apparatus and equipment, ~~and;~~

~~(c)~~ (3) having a motorized fire truck equipped with a motorized pump, 250 gallon or larger water tank, 300 feet of one inch or larger fire hose in two lines with combination spray and straight stream nozzles, five-gallon hand pumps—tank extinguisher or equivalent, dry chemical extinguisher or equivalent, ladders, extension ladders, pike poles, crow bars, axes, lanterns, fire coats, helmets, and boots, ~~and;~~

~~(d)~~ (4) having apparatus suitably housed in a building of good construction with facilities for care of hose and equipment, ~~and;~~

~~(e)~~ (5) having a reliable and adequate method of receiving fire alarms by telephone or with electric siren and suitable means of sounding an alarm, ~~and;~~

~~(f)~~ (6) if response is to be provided outside the corporate limits of the municipality wherein the fire department is located, ~~the municipality has~~ having another piece of motorized apparatus to make the response; and

~~(g)~~ (7) meeting other requirements that the commissioner establishes by rule.

Sec. 9. Minnesota Statutes 2012, section 69.021, subdivision 1, is amended to read:

Subdivision 1. **Minnesota Firetown Premium Report and Minnesota Aid to Police Premium Report.** The commissioner shall, at the time of mailing tax forms, send blank copies of the Minnesota Firetown Premium Report and when applicable the Minnesota Aid to Police Premium Report to each insurer, including township and farmers mutual insurance companies licensed to write insurance as described in section 69.011, subdivision 1, clauses (c) and (f) in this state. These reports ~~shall~~ must contain space for the insurers name, address, gross premiums less return premiums, dividends, net premiums, certification and other facts that the commissioner may require.

Sec. 10. Minnesota Statutes 2012, section 69.021, subdivision 2, is amended to read:

Subd. 2. **Report of premiums.** (a) Each insurer, including township and farmers mutual insurers where applicable, shall return to the commissioner the reports described in subdivision 1 certified by its secretary and president or chief financial officer.

(b) The Minnesota Firetown Premium Report ~~shall~~ must contain a true and accurate statement of the total premium for all gross direct fire, lightning, sprinkler leakage, and extended coverage insurance of all domestic mutual insurers and the total premiums for all gross direct fire, lightning, sprinkler leakage and extended coverage insurance of all other insurers, less return premiums and dividends received by them on that business written or done during the preceding calendar year upon property located within the state or brought into the state for temporary use. The fire and extended coverage portion of multiperil and multiple peril package premiums and all other combination premiums ~~shall~~ must be determined by applying percentages determined by the commissioner or by rating bureaus recognized by the commissioner.

(c) The Minnesota Aid to Police Premium Report ~~shall~~ must contain a true and accurate statement of the total premiums, less return premiums and dividends, on all direct business received by such insurer in this state, or by its agents for it, in cash or otherwise, during the preceding calendar year, with reference to insurance written for perils described in section 69.011, subdivision 1, clause (f).

Sec. 11. Minnesota Statutes 2012, section 69.021, subdivision 3, is amended to read:

Subd. 3. **Penalty for fraudulent, incorrect, incomplete returns and late filing of report.** (a) When it appears to the commissioner that any insurer has made an incomplete or inaccurate report, the commissioner shall return the report and demand that a complete and accurate report be filed. If the insurer fails to file a report on or before March 1, annually, the insurer ~~shall be~~ is liable and shall pay \$25 for each seven days ~~delinquent~~, or fraction thereof, that the report is delinquent, but not to exceed \$200. If the insurer fails to file a corrected report within 30 days after demand, the insurer is liable for the penalties provided in ~~this subdivision~~ paragraph (b) or (c) for knowingly filing an inaccurate or false report.

(b) Any insurer ~~who~~ which knowingly makes and files an inaccurate or false report ~~shall be~~ is liable to a fine in an amount of not less than \$25 nor more than \$1,000, as determined by the commissioner, and additionally the commissioner of commerce may revoke the insurer's certificate of authority.

(c) Any person whose duty it is to make the report who fails or refuses to make it within 30 days after notification by the commissioner shall be fined an amount of not more than \$1,000.

(d) Failure of the insurer to receive a reporting form ~~shall~~ does not excuse the insurer from filing the report.

Sec. 12. Minnesota Statutes 2012, section 69.021, subdivision 4, is amended to read:

Subd. 4. **Determination of qualified state aid recipients; certification to commissioner of management and budget.** (a) The commissioner shall determine which municipalities and independent nonprofit firefighting corporations are qualified to receive fire state aid directly or are qualified to receive the benefit of fire state aid paid to the voluntary statewide lump-sum volunteer firefighter retirement plan and which municipalities and counties are qualified to receive police state aid.

(b) The commissioner shall determine qualification for state aid upon receipt of:

(1) the fire department personnel and equipment certification or the police department and qualified peace officers certificate, whichever applies, required under section 69.011;

(2) the financial compliance report required under section 6.495, subdivision 3, if applicable; and

(3) any other relevant information which comes to the attention of the commissioner.

(c) Upon completion of the determination, on or before October 1, the commissioner shall calculate the amount of:

(1) the police state aid which each county or municipality is to receive under subdivisions 5, 6, 7a, and 10; and

(2) the fire state aid which each municipality or nonprofit firefighting corporation is to receive under subdivisions 5 and 7.

(d) The commissioner shall certify to the commissioner of management and budget the name of each county or municipality, and the amount of state aid which each county or municipality is to receive, in the case of police state aid. The commissioner shall certify to the commissioner of management and budget the name of each municipality or independent nonprofit firefighting corporation and the amount of state aid which each municipality or independent nonprofit firefighting corporation is to receive directly or the amount of state aid which the voluntary statewide lump-sum volunteer firefighter retirement plan is qualified to receive on behalf of the municipality or corporation, in the case of fire state aid.

Sec. 13. Minnesota Statutes 2012, section 69.021, subdivision 5, is amended to read:

Subd. 5. **Calculation of state aid.** (a) The amount of fire state aid available for apportionment, before the addition of the minimum fire state aid allocation amount under subdivision 7, is equal to 107 percent of the amount of premium taxes paid to the state upon the fire, lightning, sprinkler leakage, and extended coverage premiums reported to the commissioner by insurers on the Minnesota Firetown Premium Report. This amount must be reduced by the amount required to pay the state auditor's costs and expenses of the audits or exams of the firefighters relief associations.

The total amount for apportionment in respect to fire state aid must not be less than two percent of the premiums reported to the commissioner by insurers on the Minnesota Firetown Premium Report after subtracting the following amounts:

(1) the amount required to pay the state auditor's costs and expenses of the audits or exams of the firefighters relief associations; and

(2) one percent of the premiums reported by town and farmers' mutual insurance companies and mutual property and casualty companies with total assets of \$5,000,000 or less.

(b) The total amount for apportionment as police state aid is equal to 104 percent of the amount of premium taxes paid to the state on the premiums reported to the commissioner by insurers on the Minnesota Aid to Police Premium Report, ~~reduced by the amount required to pay the costs and expenses of the state auditor for audits or exams of police relief associations.~~ The total amount for apportionment in respect to the police state aid program must not be less than two percent of the amount of premiums reported to the commissioner by insurers on the Minnesota Aid to Police Premium Report ~~after subtracting the amount required to pay the state auditor's cost and expenses of the audits or exams of the police relief associations.~~

(c) The commissioner shall calculate the percentage of increase or decrease reflected in the apportionment over or under the previous year's available state aid using the same premiums as a basis for comparison.

(d) In addition to the amount for apportionment of police state aid under paragraph (b), each year \$100,000 must be apportioned for police state aid. An amount sufficient to pay this increase is annually appropriated from the general fund.

Sec. 14. Minnesota Statutes 2012, section 69.021, subdivision 7, is amended to read:

Subd. 7. **Apportionment of fire state aid to municipalities and relief associations.** (a) The commissioner shall apportion the fire state aid relative to the premiums reported on the Minnesota Firetown Premium Reports filed under this chapter to each municipality and/or firefighters relief association qualified under section 69.011, subdivision 4.

(b) The commissioner shall calculate an initial fire state aid allocation amount for each municipality or fire department under paragraph (c) and, if applicable, a minimum fire state aid allocation amount for each municipality or fire department under paragraph (d). The municipality or fire department must ~~receive~~ be apportioned the larger fire state aid amount.

(c) The initial fire state aid allocation amount is the amount available for apportionment as fire state aid under subdivision 5, without the inclusion of any additional funding amount to support a minimum fire state aid amount under section 423A.02, subdivision 3, allocated one-half in proportion to the population as shown in the last official statewide federal census for each fire town and one-half in proportion to the market value of each fire town, including (1) the market value of tax-exempt property and (2) the market value of natural resources lands receiving in lieu payments under sections 477A.11 to 477A.14, but excluding the market value of minerals. In the case of incorporated or municipal fire departments furnishing fire protection to other cities, towns, or townships as evidenced by valid fire service contracts filed with the commissioner, the distribution must be adjusted proportionately to take into consideration the crossover fire protection service. Necessary adjustments must be made to subsequent apportionments. In the case of municipalities or independent fire departments qualifying for the aid, the commissioner shall calculate the state aid for the municipality or relief association on the basis of the population and the market value of the area furnished fire protection service by the fire department as evidenced by duly executed and valid fire service agreements filed with the commissioner. If one or more fire departments are furnishing contracted fire service to a city, town, or township, only the population and market value of the area served by each fire department may be considered in calculating the state aid and the fire departments furnishing service shall enter into an agreement apportioning among themselves the percent of the population and the percent of the market value of each shared service area. The agreement must be in writing and must be filed with the commissioner.

(d) The minimum fire state aid allocation amount is the amount in addition to the initial fire state allocation amount that is derived from any additional funding amount to support a minimum fire state aid amount under section 423A.02, subdivision 3, and allocated to municipalities with volunteer firefighters relief associations or covered by the voluntary statewide lump-sum volunteer firefighter retirement plan based on the number of active volunteer firefighters who are members of the relief association as reported in the annual financial reporting for the calendar year 1993 to the Office of the State Auditor, but not to exceed 30 active volunteer firefighters, so that all municipalities or fire departments with volunteer firefighters relief associations receive in total at least a minimum

fire state aid amount per 1993 active volunteer firefighter to a maximum of 30 firefighters. If a relief association is established after calendar year 1993 and before calendar year 2000, the number of active volunteer firefighters who are members of the relief association as reported in the annual financial reporting for calendar year 1998 to the Office of the State Auditor, but not to exceed 30 active volunteer firefighters, shall be used in this determination. If a relief association is established after calendar year 1999, the number of active volunteer firefighters who are members of the relief association as reported in the first annual financial reporting submitted to the Office of the State Auditor, but not to exceed 20 active volunteer firefighters, must be used in this determination. If a relief association is terminated as a result of providing retirement coverage for volunteer firefighters by the voluntary statewide lump-sum volunteer firefighter retirement plan under chapter 353G, the number of active volunteer firefighters of the municipality covered by the statewide plan as certified by the executive director of the Public Employees Retirement Association to the commissioner and the state auditor, but not to exceed 30 active firefighters, must be used in this determination.

(e) Unless the firefighters of the applicable fire department are members of the voluntary statewide lump-sum volunteer firefighter retirement plan, the fire state aid must be paid to the treasurer of the municipality where the fire department is located and the treasurer of the municipality shall, within 30 days of receipt of the fire state aid, transmit the aid to the relief association if the relief association has filed a financial report with the treasurer of the municipality and has met all other statutory provisions pertaining to the aid apportionment. If the firefighters of the applicable fire department are members of the voluntary statewide lump-sum volunteer firefighter retirement plan, the fire state aid must be paid to the executive director of the Public Employees Retirement Association and deposited in the voluntary statewide lump-sum volunteer firefighter retirement fund.

(f) The commissioner may make rules to permit the administration of the provisions of this section.

(g) Any adjustments needed to correct prior misallocations must be made to subsequent fire state aid apportionments.

Sec. 15. Minnesota Statutes 2012, section 69.021, subdivision 7a, is amended to read:

Subd. 7a. **Apportionment of police state aid.** (a) Subject to the reduction provided for under subdivision 10, the commissioner shall apportion the police state aid to each municipality ~~and, to the~~ each county, and to the Departments of Natural Resources and Public Safety in the following manner:

(1) for all municipalities maintaining police departments, counties, the Department of Natural Resources, and the Department of Public Safety, the police state aid must be distributed in proportion to the relationship that the total number of peace officers, as determined under section 69.011, subdivision 1, ~~clause paragraph~~ (g), and subdivision 2, ~~clause paragraph~~ (b), employed by that employing unit for 12 calendar months and the proportional or fractional number who were employed less than 12 months bears to the total number of peace officers employed by all municipalities ~~and, counties, the Departments of Natural Resources and Public Safety,~~ subject to any reduction under subdivision 10;

(2) for each municipality which contracts with the county for police service, a proportionate amount of the state aid distributed to the county based on the full-time equivalent number of peace officers providing contract service to that municipality must be credited against the municipality's contract obligation; and

(3) for each municipality which contracts with another municipality for police service, a proportionate amount of the state aid distributed to the municipality providing contract service based on the full-time equivalent number of peace officers providing contract service to that municipality on a full-time equivalent basis must be credited against the contract obligation of the municipality receiving contract service.

(b) Any necessary additional adjustments must be made to subsequent police state aid apportionments.



Sec. 16. Minnesota Statutes 2012, section 69.021, subdivision 8, is amended to read:

Subd. 8. **Population and market value.** (a) In computations relating to fire state aid requiring the use of population figures, only official statewide federal census figures ~~are to~~ may be used. Increases or decreases in population disclosed by reason of any special census must not be taken into consideration.

(b) In calculations relating to fire state aid requiring the use of market value property figures, only the latest available market value property figures may be used.

Sec. 17. Minnesota Statutes 2012, section 69.021, subdivision 9, is amended to read:

Subd. 9. **Appeal.** (a) In the event that a municipality, a county, a fire relief association, ~~a police relief association, the Department of Natural Resources, the Department of Public Safety,~~ or the voluntary statewide lump-sum volunteer firefighter retirement plan, feels itself to be aggrieved, it may request the commissioner to review and adjust the apportionment of funds within the county in the case of police state aid, or within the state in the case of fire state aid.

(b) The decision of the commissioner is subject to appeal, review, and adjustment by the district court in the county in which the applicable municipality, or fire department,~~or police department~~ is located or by the Ramsey County District Court with respect to the Department of Natural Resources, the Department of Public Safety, or the voluntary statewide lump-sum volunteer firefighter retirement plan.

Sec. 18. Minnesota Statutes 2012, section 69.021, subdivision 10, is amended to read:

Subd. 10. **Reduction in police state aid apportionment.** (a) The commissioner of revenue shall reduce the apportionment of police state aid under subdivisions 5, paragraph (b), 6, and 7a, for eligible employer units by the amount of any excess police state aid.

(b) "Excess police state aid" is:

(1) for counties and for municipalities in which police retirement coverage is provided wholly by the public employees police and fire fund and all police officers are members of the plan governed by sections 353.63 to 353.657, the amount in excess of the employer's total prior calendar year obligation as defined in paragraph (c), as certified by the executive director of the Public Employees Retirement Association;

(2) ~~for municipalities in which police retirement coverage is provided in part by the public employees police and fire fund governed by sections 353.63 to 353.657 and in part by a local police consolidation account governed by chapter 353A, and established before March 2, 1999, for which the municipality declined merger under section 353.665, subdivision 1, or established after March 1, 1999, the amount in excess of the employer's total prior calendar year obligation as defined in paragraph (c), plus the amount of the employer's total prior calendar year obligation under section 353A.09, subdivision 5, paragraphs (a) and (b), as certified by the executive director of the Public Employees Retirement Association;~~

(3) ~~for municipalities in which police retirement coverage is provided by the public employees police and fire plan governed by sections 353.63 to 353.657, in which police retirement coverage was provided by a police consolidation account under chapter 353A before July 1, 1999, and for which the municipality has an additional municipal contribution under section 353.665, subdivision 8, paragraph (b), the amount in excess of the employer's total prior calendar year obligation as defined in paragraph (c), plus the amount of any additional municipal contribution under section 353.665, subdivision 8, paragraph (b), until the year 2010, as certified by the executive director of the Public Employees Retirement Association;~~

~~(4) (2) for municipalities in which police retirement coverage is provided in part by the public employees police and fire fund governed by sections 353.63 to 353.657 and in part by a local police relief association governed by sections 69.77 and 423A.01 the cities of Fairmont and Minneapolis, the amount in excess of the employer's total prior calendar year obligation as defined in paragraph (c), as certified by the executive director of the public employees retirement association, plus the amount of the financial requirements of the relief association certified to the applicable municipality during the prior calendar year under section 69.77, subdivisions 4 and 5, reduced by the amount of member contributions deducted from the covered salary of the relief association during the prior calendar year under section 69.77, subdivision 3, as certified by the chief administrative officer of the applicable municipality any additional municipal contribution under section 353.668, subdivision 6, or 353.669, subdivision 6;~~

~~(5) (3) for the Metropolitan Airports Commission, the amount in excess of the commission's total prior calendar year obligation as defined in paragraph (c), as certified by the executive director of the Public Employees Retirement Association; and~~

~~(6) (4) for the Department of Natural Resources and for the Department of Public Safety, the amount in excess of the employer's total prior calendar year obligation under section 352B.02, subdivision 1c, for plan members who are peace officers under section 69.011, subdivision 1, clause (g), as certified by the executive director of the Minnesota State Retirement System.~~

(c) The employer's total prior calendar year obligation with respect to the public employees police and fire plan under paragraph (b), clause (1), is the total prior calendar year obligation under section 353.65, subdivision 3, for police officers as defined in section 353.64, subdivision 2, and the actual total prior calendar year obligation under section 353.65, subdivision 3, for firefighters, as defined in section 353.64, subdivision 3, but not to exceed for those firefighters the applicable following ~~amounts~~ employer calendar year amount:

Municipality	Maximum Amount
Albert Lea	\$54,157.01
Anoka	10,399.31
Apple Valley	5,442.44
Austin	49,864.73
Bemidji	27,671.38
Brooklyn Center	6,605.92
Brooklyn Park	24,002.26
Burnsville	15,956.00
Cloquet	4,260.49
Coon Rapids	39,920.00
Cottage Grove	8,588.48
Crystal	5,855.00
East Grand Forks	51,009.88
Edina	32,251.00
Elk River	5,216.55
Ely	13,584.16
Eveleth	16,288.27
Fergus Falls	6,742.00
Fridley	33,420.64
Golden Valley	11,744.61
Hastings	16,561.00
Hopkins	4,324.23
International Falls	14,400.69
Lakeville	782.35
Lino Lakes	5,324.00

Little Falls	7,889.41
Maple Grove	6,707.54
Maplewood	8,476.69
Minnetonka	10,403.00
Montevideo	1,307.66
Moorhead	68,069.26
New Hope	6,739.72
North St. Paul	4,241.14
Northfield	770.63
Owatonna	37,292.67
Plymouth	6,754.71
Red Wing	3,504.01
Richfield	53,757.96
Rosemount	1,712.55
Roseville	9,854.51
St. Anthony	33,055.00
St. Louis Park	53,643.11
Thief River Falls	28,365.04
Virginia	31,164.46
Waseca	11,135.17
West St. Paul	15,707.20
White Bear Lake	6,521.04
Woodbury	3,613.00
any other municipality	0.00

(d) The total amount of excess police state aid must be deposited in the excess police state-aid account in the general fund, administered and distributed as provided in subdivision 11.

Sec. 19. Minnesota Statutes 2012, section 69.021, subdivision 11, is amended to read:

Subd. 11. **Excess police state-aid holding account.** (a) The excess police state-aid holding account is established in the general fund. The excess police state-aid holding account must be administered by the commissioner.

(b) Excess police state aid determined according to subdivision 10, must be deposited annually in the excess police state-aid holding account.

(c) From the balance in the excess police state-aid holding account, \$900,000 must be canceled annually to the general fund.

~~(d) If a police officer stress reduction program is created by law and money is appropriated for that program, an amount equal to that appropriation must be transferred to the administrator of that program from the balance in the excess police state-aid holding account.~~

~~(d)~~ (d) On October 1 of each year, one-half of the balance of the excess police state-aid holding account remaining after the ~~deductions~~ deduction under ~~paragraphs~~ paragraph (c) and ~~(d)~~ is appropriated for additional amortization aid under section 423A.02, subdivision 1b.

~~(e)~~ (e) Annually, the remaining balance in the excess police state-aid holding account, after the deductions under paragraphs (c); and (d); ~~and~~ (e); cancels to the general fund.

Sec. 20. Minnesota Statutes 2012, section 69.031, subdivision 1, is amended to read:

Subdivision 1. **Commissioner's warrant.** (a) The commissioner of management and budget shall issue to the Public Employees Retirement Association on behalf of a municipality or independent nonprofit firefighting corporation that is a member of the voluntary statewide lump-sum volunteer firefighter retirement plan under chapter 353G, to the Department of Natural Resources, the Department of Public Safety, or to the county, municipality, or independent nonprofit firefighting corporation certified to the commissioner of management and budget by the commissioner a warrant for an amount equal to the amount of fire state aid or police state aid, whichever applies, certified for the applicable state aid recipient by the commissioner under section 69.021.

(b) Fire state aid and police state aid is payable on October 1 annually. The amount of state aid due and not paid by October 1 accrues interest payable to the state aid recipient at the rate of one percent for each month or part of a month that the amount remains unpaid after October 1.

Sec. 21. Minnesota Statutes 2012, section 69.031, subdivision 3, is amended to read:

Subd. 3. **Appropriations.** There is hereby appropriated annually from the state general fund to the commissioner of revenue ~~an amount~~ amounts sufficient to make the police state aid payments and the fire state aid payments specified in this section and section 69.021.

Sec. 22. Minnesota Statutes 2012, section 69.031, subdivision 5, is amended to read:

Subd. 5. **Deposit of state aid.** (a) If the municipality or the independent nonprofit firefighting corporation is covered by the voluntary statewide lump-sum volunteer firefighter retirement plan under chapter 353G, the executive director shall credit the fire state aid against future municipal contribution requirements under section 353G.08 and shall notify the municipality or independent nonprofit firefighting corporation of the fire state aid so credited at least annually. If the municipality or the independent nonprofit firefighting corporation is not covered by the voluntary statewide lump-sum volunteer firefighter retirement plan, the municipal treasurer shall, within 30 days after receipt, transmit the fire state aid to the treasurer of the duly incorporated firefighters' relief association if there is one organized and the association has filed a financial report with the municipality. If the relief association has not filed a financial report with the municipality, the municipal treasurer shall delay transmission of the fire state aid to the relief association until the complete financial report is filed. If the municipality or independent nonprofit firefighting corporation is not covered by the voluntary statewide lump-sum volunteer firefighter retirement plan, if there is no relief association organized, or if the association has dissolved or has been removed as trustees of state aid, then the treasurer of the municipality shall deposit the money in the municipal treasury and the money may be disbursed only for the purposes and in the manner set forth in section 424A.08 or for the payment of the employer contribution requirement with respect to firefighters covered by the public employees police and fire retirement plan under section 353.65, subdivision 3.

~~(b) The municipal treasurer, upon receipt of the police state aid, shall disburse the police state aid in the following manner:~~

~~(1) For a municipality in which a local police relief association exists and all peace officers are members of the association, the total state aid must be transmitted to the treasurer of the relief association within 30 days of the date of receipt, and the treasurer of the relief association shall immediately deposit the total state aid in the special fund of the relief association;~~

~~(2)~~ (b) For a municipality in which police retirement coverage is provided by the public employees police and fire fund and all peace officers are members of the fund, including municipalities covered by section 353.665, the total state aid must be applied toward the municipality's employer contribution to the public employees police and fire fund under sections 353.65, subdivision 3, and ~~353.665~~ 353.668, subdivision ~~8~~ 6, ~~paragraph (b)~~ or 353.669, subdivision 6, if applicable; ~~or.~~

~~(3) For a municipality other than a city of the first class with a population of more than 300,000 in which both a police relief association exists and police retirement coverage is provided in part by the public employees police and fire fund, the municipality may elect at its option to transmit the total state aid to the treasurer of the relief association as provided in clause (1), to use the total state aid to apply toward the municipality's employer contribution to the public employees police and fire fund subject to all the provisions set forth in clause (2), or to allot the total state aid proportionately to be transmitted to the police relief association as provided in this subdivision and to apply toward the municipality's employer contribution to the public employees police and fire fund subject to the provisions of clause (2) on the basis of the respective number of active full-time peace officers, as defined in section 69.011, subdivision 1, clause (g).~~

~~For a city of the first class with a population of more than 300,000, in addition, the city may elect to allot the appropriate portion of the total police state aid to apply toward the employer contribution of the city to the public employees police and fire fund based on the covered salary of police officers covered by the fund each payroll period and to transmit the balance to the police relief association; or~~

~~(4) For a municipality in which police retirement coverage is provided in part by the public employees police and fire fund and in part by a local police consolidation account governed by chapter 353A and established before March 2, 1999, for which the municipality declined merger under section 353.665, subdivision 1, or established after March 1, 1999, the total police state aid must be applied towards the municipality's total employer contribution to the public employees police and fire fund and to the local police consolidation account under sections 353.65, subdivision 3, and 353A.09, subdivision 5.~~

(c) The county treasurer, upon receipt of the police state aid for the county, shall apply the total state aid toward the county's employer contribution to the public employees police and fire fund under section 353.65, subdivision 3.

(d) The designated Metropolitan Airports Commission official, upon receipt of the police state aid for the Metropolitan Airports Commission, shall apply the total police state aid toward the commission's employer contribution for police officers to the public employees police and fire plan under section 353.65, subdivision 3.

(e) The police state aid apportioned to the Departments of Public Safety and Natural Resources under section 69.021, subdivision 7a, is appropriated to the commissioner of management and budget for transfer to the funds and accounts from which the salaries of peace officers certified under section 69.011, subdivision 2b, are paid. The commissioner of revenue shall certify to the commissioners of public safety, natural resources, and management and budget the amounts to be transferred from the appropriation for police state aid. The commissioners of public safety and natural resources shall certify to the commissioner of management and budget the amounts to be credited to each of the funds and accounts from which the peace officers employed by their respective departments are paid. Each commissioner shall allocate the police state aid first for employer contributions for employees funded from the general fund and then for employer contributions for employees funded from other funds. For peace officers whose salaries are paid from the general fund, the amounts transferred from the appropriation for police state aid must be canceled to the general fund.

Sec. 23. Minnesota Statutes 2012, section 69.041, is amended to read:

**69.041 SHORTFALL FROM GENERAL FUND.**

(a) If the annual funding requirements of fire or police relief associations or consolidation accounts under sections ~~69.77, 69.771 to 69.775, or 353A.09, or sections 31 to 42,~~ exceed all applicable revenue sources of a given year, including the insurance premium taxes funding the applicable fire or police state aid as set under section 2971.05, subdivisions 2, 3, and 4, the shortfall in the annual funding requirements must be paid from the general fund to the extent appropriated by the legislature.

(b) Nothing in this section may be deemed to relieve any municipality from its obligation to a relief association or consolidation account under law.

Sec. 24. Minnesota Statutes 2012, section 69.051, subdivision 1, is amended to read:

Subdivision 1. **Financial report and audit.** (a) The board of ~~each salaried firefighters~~ the Bloomington Fire Department Relief Association, police relief association, and each volunteer firefighters relief association as defined in section 424A.001, subdivision 4, with assets of at least \$200,000 or liabilities of at least \$200,000 in the prior year or in any previous year, according to the applicable actuarial valuation or according to the financial report if no valuation is required, shall prepare a financial report covering the special and general funds of the relief association for the preceding fiscal year, file the financial report, and submit financial statements.

(b) The financial report must contain financial statements and disclosures which present the true financial condition of the relief association and the results of relief association operations in conformity with generally accepted accounting principles and in compliance with the regulatory, financing and funding provisions of this chapter and any other applicable laws. The financial report must be countersigned by:

(1) the municipal clerk or clerk-treasurer of the municipality in which the relief association is located if the relief association is a firefighters relief association which is directly associated with a municipal fire department ~~or is a police relief association~~; or

(2) by the municipal clerk or clerk-treasurer of the largest municipality in population which contracts with the independent nonprofit firefighting corporation if the volunteer firefighter relief association is a subsidiary of an independent nonprofit firefighting corporation and by the secretary of the independent nonprofit firefighting corporation; or

(3) by the chief financial official of the county in which the volunteer firefighter relief association is located or primarily located if the relief association is associated with a fire department that is not located in or associated with an organized municipality.

(c) The financial report must be retained in its office for public inspection and must be filed with the governing body of the government subdivision in which the associated fire department is located after the close of the fiscal year. One copy of the financial report must be furnished to the state auditor after the close of the fiscal year.

(d) Audited financial statements must be attested to by a certified public accountant or by the state auditor and must be filed with the state auditor within 180 days after the close of the fiscal year. The state auditor may accept this report in lieu of the report required in paragraph (c).

Sec. 25. Minnesota Statutes 2012, section 69.051, subdivision 1a, is amended to read:

Subd. 1a. **Financial statement.** (a) The board of each volunteer firefighters relief association, as defined in section 424A.001, subdivision 4, that is not required to file a financial report and audit under subdivision 1 must prepare a detailed statement of the financial affairs for the preceding fiscal year of the relief association's special and general funds in the style and form prescribed by the state auditor. The detailed statement must show:

(1) the sources and amounts of all money received;

(2) all disbursements, accounts payable and accounts receivable;

(3) the amount of money remaining in the treasury;

(4) total assets, including a listing of all investments;

(5) the accrued liabilities; and

(6) all other items necessary to show accurately the revenues and expenditures and financial position of the relief association.

(b) The detailed financial statement required under paragraph (a) must be certified by an independent public accountant or auditor or by the auditor or accountant who regularly examines or audits the financial transactions of the municipality. In addition to certifying the financial condition of the special and general funds of the relief association, the accountant or auditor conducting the examination shall give an opinion as to the condition of the special and general funds of the relief association, and shall comment upon any exceptions to the report. The independent accountant or auditor must have at least five years of public accounting, auditing, or similar experience, and must not be an active, inactive, or retired member of the relief association or the fire ~~or police~~ department.

(c) The detailed statement required under paragraph (a) must be countersigned by:

(1) the municipal clerk or clerk-treasurer of the municipality; or

(2) where applicable, by the municipal clerk or clerk-treasurer of the largest municipality in population which contracts with the independent nonprofit firefighting corporation if the relief association is a subsidiary of an independent nonprofit firefighting corporation and by the secretary of the independent nonprofit firefighting corporation; or

(3) by the chief financial official of the county in which the volunteer firefighter relief association is located or primarily located if the relief association is associated with a fire department that is not located in or associated with an organized municipality.

(d) The volunteer firefighters' relief association board must file the detailed statement required under paragraph (a) in the relief association office for public inspection and present it to the ~~city council~~ governing body of the municipality within 45 days after the close of the fiscal year, and must submit a copy of the detailed statement to the state auditor within 90 days of the close of the fiscal year.

Sec. 26. Minnesota Statutes 2012, section 69.051, subdivision 1b, is amended to read:

Subd. 1b. **Qualification.** The state auditor may, upon a demonstration by a relief association of hardship or an inability to conform, extend the deadline for reports under subdivisions 1 or 1a, but not beyond November 30th following the due date. If the reports are not received by November 30th, the municipality or relief association ~~will forfeit~~ forfeits its current year state aid, and, until the state auditor receives the required information, the relief association or municipality ~~will be~~ is ineligible to receive any future state aid. A municipality or ~~police or~~ firefighters' relief association ~~shall~~ does not qualify initially to receive, or be entitled subsequently to retain, state aid ~~pursuant to~~ under this chapter if the financial reporting requirement or the applicable requirements of this chapter or any other statute or special law have not been complied with or are not fulfilled.

Sec. 27. Minnesota Statutes 2012, section 69.051, subdivision 2, is amended to read:

Subd. 2. **Treasurers bond.** ~~No~~ (a) The treasurer of a the Bloomington Fire Department Relief Association ~~governed by section 69.77 shall~~ may not enter upon duties without having given the association a bond in a reasonable amount acceptable to the municipality for the faithful discharge of duties according to law.

(b) No treasurer of a relief association governed by sections 69.771 to 69.776 ~~shall~~ may enter upon the duties of the office until the treasurer has given the association a good and sufficient bond in an amount equal to at least ten percent of the assets of the relief association; however, the amount of the bond need not exceed \$500,000.

Sec. 28. Minnesota Statutes 2012, section 69.051, subdivision 3, is amended to read:

Subd. 3. **Report by certain municipalities.** (a) The chief administrative officer of each municipality which has an organized fire department but which does not have a firefighters' relief association governed by section 69.77 or sections 69.771 to 69.775 and which is not exempted under paragraph (b) shall annually prepare a detailed financial report of the receipts and disbursements by the municipality for fire protection service during the preceding calendar year, on a form prescribed by the state auditor. The financial report must contain any information which the state auditor deems necessary to disclose the sources of receipts and the purpose of disbursements for fire protection service. The financial report must be signed by the municipal clerk or clerk-treasurer of the municipality. The financial report must be filed by the municipal clerk or clerk-treasurer with the state auditor on or before July 1 annually. The municipality ~~shall~~ does not qualify initially to receive, ~~or be and is not~~ entitled subsequently to retain, state aid under this chapter if the financial reporting requirement or the applicable requirements of this chapter or any other statute or special law have not been complied with or are not fulfilled.

(b) Each municipality that has an organized fire department and provides retirement coverage to its firefighters through the voluntary statewide lump-sum volunteer firefighter retirement plan under chapter 353G qualifies to have fire state aid transmitted to and retained in the statewide lump-sum volunteer firefighter retirement fund without filing a detailed financial report if the executive director of the Public Employees Retirement Association certifies compliance by the municipality with the requirements of sections 353G.04 and 353G.08, paragraph (e), and certifies conformity by the applicable fire chief with the requirements of section 353G.07.

Sec. 29. Minnesota Statutes 2012, section 69.051, subdivision 4, is amended to read:

Subd. 4. **Notification by commissioner and state auditor.** (a) The state auditor, in performing an audit or examination, shall notify the Legislative Commission on Pensions and Retirement if the audit or examination reveals malfeasance, misfeasance, or nonfeasance in office by relief association officials or municipal officials.

(b) The commissioner shall notify the Legislative Commission on Pensions and Retirement if the state auditor has not filed the required financial compliance reports by July 1.

Sec. 30. Minnesota Statutes 2012, section 69.33, is amended to read:

#### **69.33 REPORT; AMOUNT OF PREMIUMS RECEIVED BY INSURANCE COMPANIES.**

For purposes of the first class city fire insurance premium tax surcharge aid program under section 297L.10, the commissioner shall enclose in the annual statement blank that is sent to all fire insurance companies doing business in this state a blank form containing the names of all cities of the first class and require these companies, at the time of making their annual statements to the commissioner, to state on these blanks the amount of premiums received by them upon properties insured within the corporate limits of the cities named thereon during the year ending December 31st last past. Thereafter, before July first each year, the commissioner shall certify to the commissioner of management and budget the information thus obtained, together with the amount of the tax for the benefit of the pension plans covering firefighters in cities of the first class paid in such year by these companies upon these insurance premiums.

Sec. 31. Minnesota Statutes 2012, section 69.77, subdivision 1, is amended to read:

Subdivision 1. **Conditioned employer support for a the Bloomington Fire Department Relief Association.** (a) Notwithstanding any law to the contrary, only if the ~~municipality~~ city of Bloomington and the Bloomington Fire Department Relief Association comply with the provisions of this section, ~~a municipality~~ the city of Bloomington may contribute public funds, including any applicable police or fire state aid, or levy property taxes for the support of ~~a police or firefighters'~~ the Bloomington Fire Department Relief Association, enumerated in subdivision 1a, ~~however organized, which provides retirement coverage or pays a service pension to a retired police officer or firefighter or a retirement benefit to a surviving dependent of either an active or retired police officer or firefighter,~~ and for the operation and maintenance of the relief association.



(b) The commissioner shall not include in the apportionment of ~~police or fire state aid to the county auditor under section 69.021, subdivision 6, any municipality in which there exists a local police or salaried firefighters' relief association as enumerated in subdivision 1a which~~ the city of Bloomington if the Bloomington Fire Department Relief Association does not comply with the provisions of this section or the provisions of any applicable special law relating to the funding or financing of the association and ~~that municipality~~ the city of Bloomington may not qualify initially to receive, or be entitled subsequently to retain, fire state aid under sections 69.011 to 69.051 until the reason for the disqualification is remedied, whereupon the ~~municipality~~ city of Bloomington, if otherwise qualified, is entitled to again receive fire state aid for the year occurring immediately subsequent to the year in which the disqualification is remedied.

(c) The state auditor and the commissioner shall determine if ~~a municipality with a local police or salaried firefighters' relief association fails~~ the city of Bloomington and the Bloomington Fire Department Relief Association fail to comply with the provisions of this section or the funding or financing provisions of any applicable special law.

Sec. 32. Minnesota Statutes 2012, section 69.77, subdivision 2, is amended to read:

Subd. 2. **Inapplicable penalty.** The penalty provided for in subdivision 1 does not apply to a the Bloomington Fire Department Relief Association ~~enumerated in subdivision 1a~~ if the requirements of subdivisions 3 to 10 are met.

Sec. 33. Minnesota Statutes 2012, section 69.77, subdivision 4, is amended to read:

Subd. 4. **Relief association financial requirements; minimum municipal obligation.** (a) The officers of the Bloomington Fire Department Relief Association shall determine the financial requirements of the relief association and the minimum obligation of the ~~municipality~~ city of Bloomington for the following calendar year in accordance with the requirements of this subdivision. The financial requirements of the relief association and the minimum obligation of the ~~municipality~~ city of Bloomington must be determined on or before the submission date established by the ~~municipality~~ city of Bloomington under subdivision 5.

(b) The financial requirements of the relief association for the following calendar year must be based on the most recent actuarial valuation or survey of the special fund of the association if more than one fund is maintained by the association, or of the association, if only one fund is maintained, prepared in accordance with sections 356.215, subdivisions 4 to 15, and 356.216, as required under subdivision 10. If an actuarial estimate is prepared by the actuary of the relief association as part of obtaining a modification of the benefit plan of the relief association and the modification is implemented, the actuarial estimate must be used in calculating the subsequent financial requirements of the relief association.

(c) If the relief association has an unfunded actuarial accrued liability as reported in the most recent actuarial valuation or survey, the total of the amounts calculated under clauses (1), (2), and (3), constitute the financial requirements of the relief association for the following year. If the relief association does not have an unfunded actuarial accrued liability as reported in the most recent actuarial valuation or survey, the amount calculated under clauses (1) and (2) constitute the financial requirements of the relief association for the following year. The financial requirement elements are:

(1) the normal level cost requirement for the following year, expressed as a dollar amount, which must be determined by applying the normal level cost of the relief association as reported in the actuarial valuation or survey and expressed as a percentage of covered payroll to the estimated covered payroll of the active membership of the relief association, including any projected change in the active membership, for the following year;

(2) ~~for the Bloomington Fire Department Relief Association,~~ to the dollar amount of normal cost determined under clause (1) must be added an amount equal to the dollar amount of the administrative expenses of the special fund of the association if more than one fund is maintained by the association, or of the association if only one fund is maintained, for the most recent year, multiplied by the factor of 1.035. The administrative expenses are those authorized under section 69.80; and

(3) to the dollar amount of normal cost and expenses determined under clauses (1) and (2) must be added an amount equal to the level annual dollar amount which is sufficient to amortize the unfunded actuarial accrued liability as determined from the actuarial valuation or survey of the fund, using an interest assumption set at the applicable rate specified in section 356.215, subdivision 8, by that fund's amortization date as specified in paragraph (d).

~~(d) The Bloomington Fire Department Relief Association special fund amortization date is determined under section 356.216, clause (2). The amortization date specified in this paragraph supersedes any amortization date specified in any applicable special law.~~

(d) If the actuarial value of the assets of the special fund of the relief association exceed the actuarial accrued liability as reported in the most recent actuarial valuation of the special fund of the relief association, the financial requirements of the relief association are the amounts calculated under paragraph (c), clauses (1) and (2), reduced by one-tenth of the amount by which the actuarial value of the assets of the special fund of the relief association exceeds the actuarial accrued liability of the special fund of the relief association.

~~(e) The minimum obligation of the municipality is an amount equal to the financial requirements of the relief association reduced by the estimated amount of member contributions from covered salary anticipated for the following calendar year and the estimated ~~amounts~~ amount anticipated for the following calendar year from the applicable fire state aid program established under sections 69.011 to 69.051 receivable by the relief association after any allocation made under section 69.031, subdivision 5, paragraph (b), clause (2), or 423A.01, subdivision 2, paragraph (a), clause (6), from the local police and salaried firefighters' relief association amortization aid program established under section 423A.02, subdivision 1, from the supplementary amortization state aid program established under section 423A.02, subdivision 1a, and from the additional amortization state aid under section 423A.02, subdivision 1b.~~

Sec. 34. Minnesota Statutes 2012, section 69.77, subdivision 5, is amended to read:

Subd. 5. **Determination submission.** The officers of the relief association shall submit the determination of the financial requirements of the relief association and of the minimum obligation of the municipality to the ~~governing body~~ Bloomington City Council on or before the date established by the ~~municipality~~ city of Bloomington, which may not be earlier than August 1 and may not be later than September 1 of each year. The ~~governing body of the municipality~~ Bloomington City Council must ascertain whether or not the determinations were prepared in accordance with law.

Sec. 35. Minnesota Statutes 2012, section 69.77, subdivision 6, is amended to read:

Subd. 6. **Municipal payment.** (a) The ~~municipality~~ city of Bloomington shall provide for and shall pay, each year, at least the amount of the minimum obligation of the ~~municipality~~ city of Bloomington to the Bloomington Fire Department Relief Association.

(b) If there is any deficiency in the municipal payment to meet the minimum obligation of the ~~municipality~~ city of Bloomington as of the end of any calendar year, the amount of the deficiency must be added to the minimum obligation of the ~~municipality~~ city of Bloomington for the following year calculated under subdivision 4 and must include interest at the compound rate of six percent per annum from the date that the ~~municipality~~ city of Bloomington was required to make payment under this subdivision until the date that the ~~municipality~~ city of Bloomington actually makes the required payment.

Sec. 36. Minnesota Statutes 2012, section 69.77, subdivision 7, is amended to read:

Subd. 7. **Budget inclusion.** (a) The ~~municipality~~ city of Bloomington shall provide in the annual municipal budget for at least the minimum obligation of the municipality calculated under subdivision 4.

(b) The ~~municipality~~ city of Bloomington may levy taxes for the payment of the minimum obligation of the ~~municipality~~ city of Bloomington without any limitation as to rate or amount and irrespective of limitations imposed by other provisions of law upon the rate or amount of taxation when the balance of the special fund or any fund of the relief association has attained a specified minimum asset level. In addition, any taxes levied under this section may not cause the amount or rate of other taxes levied in that year or to be levied in a subsequent year by the ~~municipality~~ city of Bloomington which are subject to a limitation as to rate or amount to be reduced.

(c) If the ~~municipality~~ city of Bloomington does not include the full amount of the minimum obligation of the ~~municipality~~ city of Bloomington in the levy that the ~~municipality~~ city of Bloomington certified to the Hennepin County auditor in any year, the officers of the relief association shall certify the amount of any deficiency to the Hennepin County auditor. Upon verifying the existence of any deficiency in the levy certified by the ~~municipality~~ city of Bloomington, the Hennepin County auditor shall spread a levy over the taxable property of the ~~municipality~~ city of Bloomington in the amount of the deficiency certified to by the officers of the relief association.

Sec. 37. Minnesota Statutes 2012, section 69.77, subdivision 8, is amended to read:

Subd. 8. **Accelerated amortization.** Any sums of money paid by the ~~municipality~~ city of Bloomington to the relief association in excess of the minimum obligation of the ~~municipality~~ city of Bloomington in any year must be used to amortize any unfunded actuarial accrued liabilities of the Bloomington Fire Department Relief Association.

Sec. 38. Minnesota Statutes 2012, section 69.77, subdivision 9, is amended to read:

Subd. 9. **Local paid fire relief association investment authority.** (a) The ~~special fund~~ funds of the association must be invested in securities that are authorized investments under section 356A.06, subdivision 6 or 7, whichever applies.

(b) The governing board of the Bloomington Fire Department Relief Association may select and appoint a qualified private firm to measure management performance and return on investment, and the firm must use the formula or formulas developed by the State Board of Investment under section 11A.04, clause (11). The governing board of the Bloomington Fire Department Relief Association may certify general fund assets of the relief association for investment by the State Board of Investment in fixed income pools or in a separately managed account at the discretion of the State Board of Investment as provided in section 11A.14.

~~(c) The governing board of the association may certify general fund assets of the relief association for investment by the State Board of Investment in fixed income pools or in a separately managed account at the discretion of the State Board of Investment as provided in section 11A.14.~~

Sec. 39. Minnesota Statutes 2012, section 69.77, subdivision 10, is amended to read:

Subd. 10. **Actuarial valuation required.** The governing board of the Bloomington Fire Department Relief Association shall obtain an actuarial valuation showing the condition of the special fund of the relief association under sections 356.215 and 356.216 and ~~any~~ the applicable standards for actuarial work established by the Legislative Commission on Pensions and Retirement. The actuarial valuation must be made as of December 31 of every year. A copy of the actuarial valuation must be filed with the Director of the Legislative Reference Library, the ~~governing body of the municipality in which the association is organized~~ Bloomington City Council, the executive director of the Legislative Commission on Pensions and Retirement, and the state auditor, not later than July 1 of the following year.

Sec. 40. Minnesota Statutes 2012, section 69.77, subdivision 11, is amended to read:

Subd. 11. **Municipal approval of benefit changes required.** Any amendment to the bylaws or articles of incorporation of a the Bloomington Fire Department Relief Association which increases or otherwise affects the retirement coverage provided by or the service pensions or retirement benefits payable from ~~any police or firefighters'~~ the relief association enumerated in subdivision 1a is not effective until it is ratified by the ~~municipality~~

~~in which the relief association is located~~ city of Bloomington. The officers of the relief association shall not seek municipal ratification before obtaining either an updated actuarial valuation including the proposed amendment or an estimate of the expected actuarial impact of the proposed amendment prepared by the actuary of the relief association and submitting that actuarial valuation or estimate to the Bloomington city clerk ~~of the municipality~~.

Sec. 41. Minnesota Statutes 2012, section 69.77, subdivision 12, is amended to read:

Subd. 12. **Application of other laws to contribution rate.** In the absence of any specific provision to the contrary, no general or special law previously enacted may be construed as reducing the levy amount ~~or rate of contribution to a police or firefighters~~ the Bloomington Fire Department Relief Association to which subdivision 1a applies, by a ~~municipality or member of the association~~ the city of Bloomington, which is required as a condition for the use of public funds or the levy of taxes for the support of the association. ~~Each~~ The Bloomington Fire Department Relief Association, the ~~municipality in which it is organized~~ city of Bloomington, and the officers of each, are authorized to do all things required by this section as a condition for the use of public funds or the levy of taxes for the support of the association.

Sec. 42. Minnesota Statutes 2012, section 69.77, subdivision 13, is amended to read:

Subd. 13. **Citation.** This section may be cited as the "~~Police and Firefighters' Bloomington Fire Department Relief Associations~~ Association Guidelines Act ~~of 1969~~."

Sec. 43. Minnesota Statutes 2012, section 69.771, subdivision 1, is amended to read:

Subdivision 1. **Covered relief associations.** The applicable provisions of sections 69.771 to 69.776 apply to any firefighters' relief association other than ~~a~~ the Bloomington Fire Department Relief Association ~~enumerated in section 69.77, subdivision 1a~~, which is organized under any laws of this state, which is composed of volunteer firefighters or is composed partially of volunteer firefighters and partially of salaried firefighters with retirement coverage provided by the public employees police and fire fund and which, in either case, operates subject to the service pension minimum requirements for entitlement and maximums contained in section 424A.02, or subject to a special law modifying those requirements or maximums.

Sec. 44. Minnesota Statutes 2012, section 69.80, is amended to read:

#### **69.80 AUTHORIZED ADMINISTRATIVE EXPENSES.**

(a) Notwithstanding any provision of law to the contrary, the payment of the following necessary, reasonable and direct expenses of maintaining, protecting and administering the special fund, when provided for in the bylaws of the association and approved by the board of trustees, constitutes authorized administrative expenses of a ~~police, salaried firefighters', or~~ volunteer firefighters' relief association organized under any law of this state or the Bloomington Fire Department Relief Association:

(1) office expense, including, but not limited to, rent, utilities, equipment, supplies, postage, periodical subscriptions, furniture, fixtures, and salaries of administrative personnel;

(2) salaries of the officers of the association, or their designees, and salaries of the members of the board of trustees of the association if the salary amounts are approved by the governing body of the entity that is responsible for meeting any minimum obligation under section ~~69.77, 69.772, or 69.773~~, or sections 31 to 42, and the itemized expenses of relief association officers and board members that are incurred as a result of fulfilling their responsibilities as administrators of the special fund;

(3) tuition, registration fees, organizational dues, and other authorized expenses of the officers or members of the board of trustees incurred in attending educational conferences, seminars, or classes relating to the administration of the relief association;

(4) audit, actuarial, medical, legal, and investment and performance evaluation expenses;

(5) filing and application fees payable by the relief association to federal or other governmental entities;

(6) reimbursement to the officers and members of the board of trustees, or their designees, for reasonable and necessary expenses actually paid and incurred in the performance of their duties as officers or members of the board; and

(7) premiums on fiduciary liability insurance and official bonds for the officers, members of the board of trustees, and employees of the relief association.

(b) Any other expenses of the relief association must be paid from the general fund of the association, if one exists. If a relief association has only one fund, that fund is the special fund for purposes of this section. If a relief association has a special fund and a general fund, and any expense of the relief association that is directly related to the purposes for which both funds were established, the payment of that expense must be apportioned between the two funds on the basis of the benefits derived by each fund.

Sec. 45. Minnesota Statutes 2012, 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, provided that nothing in this subdivision limits the special levy authorized under section 475.755;

(3) to provide for the bonded indebtedness portion of payments made to another political subdivision of the state of Minnesota;

(4) to fund payments made to the Minnesota State Armory Building Commission under section 193.145, subdivision 2, to retire the principal and interest on armory construction bonds;

(5) property taxes approved by voters which are levied against the referendum market value as provided under section 275.61;

(6) to fund matching requirements needed to qualify for federal or state grants or programs to the extent that either (i) the matching requirement exceeds the matching requirement in calendar year 2001, or (ii) it is a new matching requirement that did not exist prior to 2002;

(7) to pay the expenses reasonably and necessarily incurred in preparing for or repairing the effects of natural disaster including the occurrence or threat of widespread or severe damage, injury, or loss of life or property resulting from natural causes, in accordance with standards formulated by the Emergency Services Division of the state Department of Public Safety, as allowed by the commissioner of revenue under section 275.74, subdivision 2;

(8) pay amounts required to correct an error in the levy certified to the county auditor by a city or county in a levy year, but only to the extent that when added to the preceding year's levy it is not in excess of an applicable statutory, special law or charter limitation, or the limitation imposed on the governmental subdivision by sections 275.70 to 275.74 in the preceding levy year;

(9) to pay an abatement under section 469.1815;

(10) to pay any costs attributable to increases in the employer contribution rates under chapter 353, or locally administered pension plans, that are effective after June 30, 2001;

(11) to pay the operating or maintenance costs of a county jail as authorized in section 641.01 or 641.262, or of a correctional facility as defined in section 241.021, subdivision 1, paragraph (f), to the extent that the county can demonstrate to the commissioner of revenue that the amount has been included in the county budget as a direct result of a rule, minimum requirement, minimum standard, or directive of the Department of Corrections, or to pay the operating or maintenance costs of a regional jail as authorized in section 641.262. For purposes of this clause, a district court order is not a rule, minimum requirement, minimum standard, or directive of the Department of Corrections. If the county utilizes this special levy, except to pay operating or maintenance costs of a new regional jail facility under sections 641.262 to 641.264 which will not replace an existing jail facility, any amount levied by the county in the previous levy year for the purposes specified under this clause and included in the county's previous year's levy limitation computed under section 275.71, shall be deducted from the levy limit base under section 275.71, subdivision 2, when determining the county's current year levy limitation. The county shall provide the necessary information to the commissioner of revenue for making this determination;

(12) to pay for operation of a lake improvement district, as authorized under section 103B.555. If the county utilizes this special levy, any amount levied by the county in the previous levy year for the purposes specified under this clause and included in the county's previous year's levy limitation computed under section 275.71 shall be deducted from the levy limit base under section 275.71, subdivision 2, when determining the county's current year levy limitation. The county shall provide the necessary information to the commissioner of revenue for making this determination;

(13) to repay a state or federal loan used to fund the direct or indirect required spending by the local government due to a state or federal transportation project or other state or federal capital project. This authority may only be used if the project is not a local government initiative;

(14) to pay for court administration costs as required under section 273.1398, subdivision 4b, less the (i) county's share of transferred fines and fees collected by the district courts in the county for calendar year 2001 and (ii) the aid amount certified to be paid to the county in 2004 under section 273.1398, subdivision 4c; however, for taxes levied to pay for these costs in the year in which the court financing is transferred to the state, the amount under this clause is limited to the amount of aid the county is certified to receive under section 273.1398, subdivision 4a;

(15) to fund a ~~police or firefighters relief association~~ as required under ~~section 69.77~~ sections 31 to 42 to the extent that the required amount exceeds the amount levied for this purpose in 2001;

(16) for purposes of a storm sewer improvement district under section 444.20;

(17) to pay for the maintenance and support of a city or county society for the prevention of cruelty to animals under section 343.11, but not to exceed in any year \$4,800 or the sum of \$1 per capita based on the county's or city's population as of the most recent federal census, whichever is greater. If the city or county uses this special levy, any amount levied by the city or county in the previous levy year for the purposes specified in this clause and included in the city's or county's previous year's levy limit computed under section 275.71, must be deducted from the levy limit base under section 275.71, subdivision 2, in determining the city's or county's current year levy limit;

(18) for counties, to pay for the increase in their share of health and human service costs caused by reductions in federal health and human services grants effective after September 30, 2007;

(19) for a city, for the costs reasonably and necessarily incurred for securing, maintaining, or demolishing foreclosed or abandoned residential properties, as allowed by the commissioner of revenue under section 275.74, subdivision 2. A city must have either (i) a foreclosure rate of at least 1.4 percent in 2007, or (ii) a foreclosure rate in 2007 in the city or in a zip code area of the city that is at least 50 percent higher than the average foreclosure rate in the metropolitan area, as defined in section 473.121, subdivision 2, to use this special levy. For purposes of this paragraph, "foreclosure rate" means the number of foreclosures, as indicated by sheriff sales records, divided by the number of households in the city in 2007;

(20) for a city, for the unreimbursed costs of redeployed traffic-control agents and lost traffic citation revenue due to the collapse of the Interstate 35W bridge, as certified to the Federal Highway Administration;

(21) to pay costs attributable to wages and benefits for sheriff, police, and fire personnel. If a local governmental unit did not use this special levy in the previous year its levy limit base under section 275.71 shall be reduced by the amount equal to the amount it levied for the purposes specified in this clause in the previous year;

(22) an amount equal to any reductions in the certified aids or credit reimbursements payable under sections 477A.011 to 477A.014, and section 273.1384, due to unallotment under section 16A.152 or reductions under another provision of law. The amount of the levy allowed under this clause for each year is limited to the amount unallotted or reduced from the aids and credit reimbursements certified for payment in the year following the calendar year in which the tax levy is certified unless the unallotment or reduction amount is not known by September 1 of the levy certification year, and the local government has not adjusted its levy under section 275.065, subdivision 6, or 275.07, subdivision 6, in which case that unallotment or reduction amount may be levied in the following year;

(23) to pay for the difference between one-half of the costs of confining sex offenders undergoing the civil commitment process and any state payments for this purpose pursuant to section 253B.185, subdivision 5;

(24) for a county to pay the costs of the first year of maintaining and operating a new facility or new expansion, either of which contains courts, corrections, dispatch, criminal investigation labs, or other public safety facilities and for which all or a portion of the funding for the site acquisition, building design, site preparation, construction, and related equipment was issued or authorized prior to the imposition of levy limits in 2008. The levy limit base shall then be increased by an amount equal to the new facility's first full year's operating costs as described in this clause; and

(25) for the estimated amount of reduction to market value credit reimbursements under section 273.1384 for credits payable in the year in which the levy is payable.

Sec. 46. Minnesota Statutes 2012, section 297I.10, subdivision 1, is amended to read:

Subdivision 1. **Cities of the first class.** (a) The commissioner shall order and direct a surcharge to be collected of two percent of the fire, lightning, and sprinkler leakage gross premiums, less return premiums, on all direct business received by any licensed foreign or domestic fire insurance company on property in a city of the first class, or by its agents for it, in cash or otherwise.

(b) By July 31 and December 31 of each year, the commissioner of management and budget shall pay to ~~the relief association in each city of the first class~~ a warrant for an amount equal to the total amount of the surcharge on the premiums collected within ~~the that~~ city since the previous payment.

(c) The treasurer of the ~~relief association city~~ shall place the money received under this subdivision in ~~the a special account or fund of the relief association to defray all or a portion of the employer contribution requirement of public employees police and fire plan coverage for city firefighters.~~

Sec. 47. Minnesota Statutes 2012, section 345.381, is amended to read:

**345.381 PROPERTY HELD BY MINNESOTA PUBLIC PENSION FUND.**

No amounts of money held or owing by a public pension fund enumerated in section 356.20, subdivision 2, or 356.30, subdivision 3, or governed by sections ~~69.77 or 69.771 to 69.776~~ shall or sections 31 to 42 may be presumed to have been abandoned for purposes of sections 345.41, 345.42, 345.43, 345.47 and 345.48 if the plan governing the public pension fund includes a provision governing the disposition of unclaimed amounts of money.

Sec. 48. Minnesota Statutes 2012, section 353.01, subdivision 2a, is amended to read:

Subd. 2a. **Included employees; mandatory membership.** (a) Public employees whose salary exceeds \$425 in any month and who are not specifically excluded under subdivision 2b or who have not been provided an option to participate under subdivision 2d, whether individually or by action of the governmental subdivision, must participate as members of the association with retirement coverage by the general employees retirement plan under this chapter, the public employees police and fire retirement plan under this chapter, or the local government correctional employees retirement plan under chapter 353E, whichever applies. Membership commences as a condition of their employment on the first day of their employment or on the first day that the eligibility criteria are met, whichever is later. Public employees include but are not limited to:

(1) persons whose salary meets the threshold in this paragraph from employment in one or more positions within one governmental subdivision;

(2) elected county sheriffs;

(3) persons who are appointed, employed, or contracted to perform governmental functions that by law or local ordinance are required of a public officer, including, but not limited to:

(i) town and city clerk or treasurer;

(ii) county auditor, treasurer, or recorder;

(iii) city manager as defined in section 353.028 who does not exercise the option provided under subdivision 2d; or

(iv) emergency management director, as provided under section 12.25;

(4) physicians under section 353D.01, subdivision 2, who do not elect public employees defined contribution plan coverage under section 353D.02, subdivision 2;

(5) full-time employees of the Dakota County Agricultural Society;

~~(6) employees of the Minneapolis Firefighters Relief Association or Minneapolis Police Relief Association who are not excluded employees under subdivision 2b due to coverage by the relief association pension plan and who elected general employee retirement plan coverage before August 20, 2009;~~



~~(7)~~ (6) employees of the Red Wing Port Authority who were first employed by the Red Wing Port Authority before May 1, 2011, and who are not excluded employees under subdivision 2b; and

~~(8)~~ (7) employees of the Seaway Port Authority of Duluth who are not excluded employees under subdivision 2b.

(b) A public employee or elected official who was a member of the association on June 30, 2002, based on employment that qualified for membership coverage by the public employees retirement plan or the public employees police and fire plan under this chapter, or the local government correctional employees retirement plan under chapter 353E as of June 30, 2002, retains that membership for the duration of the person's employment in that position or incumbency in elected office. Except as provided in subdivision 28, the person shall participate as a member until the employee or elected official terminates public employment under subdivision 11a or terminates membership under subdivision 11b.

(c) If the salary of an included public employee is less than \$425 in any subsequent month, the member retains membership eligibility.

(d) For the purpose of participation in the MERF division of the general employees retirement plan, public employees include employees who were members of the former Minneapolis Employees Retirement Fund on June 29, 2010, and who participate as members of the MERF division of the association.

Sec. 49. Minnesota Statutes 2012, section 353.01, subdivision 2b, is amended to read:

Subd. 2b. **Excluded employees.** (a) The following public employees are not eligible to participate as members of the association with retirement coverage by the general employees retirement plan, the local government correctional employees retirement plan under chapter 353E, or the public employees police and fire retirement plan:

(1) persons whose salary from one governmental subdivision never exceeds \$425 in a month;

(2) public officers who are elected to a governing body, city mayors, or persons who are appointed to fill a vacancy in an elective office of a governing body, whose term of office commences on or after July 1, 2002, for the service to be rendered in that elective position;

(3) election officers or election judges;

(4) patient and inmate personnel who perform services for a governmental subdivision;

(5) except as otherwise specified in subdivision 12a, employees who are hired for a temporary position as defined under subdivision 12a, and employees who resign from a nontemporary position and accept a temporary position within 30 days in the same governmental subdivision;

(6) employees who are employed by reason of work emergency caused by fire, flood, storm, or similar disaster;

(7) employees who by virtue of their employment in one governmental subdivision are required by law to be a member of and to contribute to any of the plans or funds administered by the Minnesota State Retirement System, the Teachers Retirement Association, the Duluth Teachers Retirement Fund Association, and the St. Paul Teachers Retirement Fund Association, ~~or any police or firefighters relief association governed by section 69.77 that has not consolidated with the Public Employees Retirement Association, or any local police or firefighters consolidation account who have not elected the type of benefit coverage provided by the public employees police and fire fund under sections 353A.01 to 353A.10, or any persons covered by section 353.665, subdivision 4, 5, or 6, who have not elected public employees police and fire plan benefit coverage.~~ This clause must not be construed to prevent a person from being a member of and contributing to the Public Employees Retirement Association and also

belonging to and contributing to another public pension plan or fund for other service occurring during the same period of time. A person who meets the definition of "public employee" in subdivision 2 by virtue of other service occurring during the same period of time becomes a member of the association unless contributions are made to another public retirement fund on the salary based on the other service or to the Teachers Retirement Association by a teacher as defined in section 354.05, subdivision 2;

(8) persons who are members of a religious order and are excluded from coverage under the federal Old Age, Survivors, Disability, and Health Insurance Program for the performance of service as specified in United States Code, title 42, section 410(a)(8)(A), as amended through January 1, 1987, if no irrevocable election of coverage has been made under section 3121(r) of the Internal Revenue Code of 1954, as amended;

(9) employees of a governmental subdivision who have not reached the age of 23 and are enrolled on a full-time basis to attend or are attending classes on a full-time basis at an accredited school, college, or university in an undergraduate, graduate, or professional-technical program, or a public or charter high school;

(10) resident physicians, medical interns, and pharmacist residents and pharmacist interns who are serving in a degree or residency program in public hospitals or clinics;

(11) students who are serving in an internship or residency program sponsored by an accredited educational institution;

(12) persons who hold a part-time adult supplementary technical college license who render part-time teaching service in a technical college;

(13) except for employees of Hennepin County or Hennepin Healthcare System, Inc., foreign citizens who are employed by a governmental subdivision under a work permit, or an H-1b visa initially issued or extended for a combined period less than three years of employment. Upon extension of the employment beyond the three-year period, the foreign citizens must be reported for membership beginning the first of the month thereafter provided the monthly earnings threshold as provided under subdivision 2a is met;

(14) public hospital employees who elected not to participate as members of the association before 1972 and who did not elect to participate from July 1, 1988, to October 1, 1988;

(15) except as provided in section 353.86, volunteer ambulance service personnel, as defined in subdivision 35, but persons who serve as volunteer ambulance service personnel may still qualify as public employees under subdivision 2 and may be members of the Public Employees Retirement Association and participants in the general employees retirement plan or the public employees police and fire plan, whichever applies, on the basis of compensation received from public employment service other than service as volunteer ambulance service personnel;

(16) except as provided in section 353.87, volunteer firefighters, as defined in subdivision 36, engaging in activities undertaken as part of volunteer firefighter duties, but a person who is a volunteer firefighter may still qualify as a public employee under subdivision 2 and may be a member of the Public Employees Retirement Association and a participant in the general employees retirement plan or the public employees police and fire plan, whichever applies, on the basis of compensation received from public employment activities other than those as a volunteer firefighter;

(17) pipefitters and associated trades personnel employed by Independent School District No. 625, St. Paul, with coverage under a collective bargaining agreement by the pipefitters local 455 pension plan who were either first employed after May 1, 1997, or, if first employed before May 2, 1997, elected to be excluded under Laws 1997, chapter 241, article 2, section 12;

(18) electrical workers, plumbers, carpenters, and associated trades personnel who are employed by Independent School District No. 625, St. Paul, or the city of St. Paul, who have retirement coverage under a collective bargaining agreement by the Electrical Workers Local 110 pension plan, the United Association Plumbers Local 34 pension plan, or the pension plan applicable to Carpenters Local 87 who were either first employed after May 1, 2000, or, if first employed before May 2, 2000, elected to be excluded under Laws 2000, chapter 461, article 7, section 5;

(19) bricklayers, allied craftworkers, cement masons, glaziers, glassworkers, painters, allied tradesworkers, and plasterers who are employed by the city of St. Paul or Independent School District No. 625, St. Paul, with coverage under a collective bargaining agreement by the Bricklayers and Allied Craftworkers Local 1 pension plan, the Cement Masons Local 633 pension plan, the Glaziers and Glassworkers Local L-1324 pension plan, the Painters and Allied Trades Local 61 pension plan, or the Twin Cities Plasterers Local 265 pension plan who were either first employed after May 1, 2001, or if first employed before May 2, 2001, elected to be excluded under Laws 2001, First Special Session chapter 10, article 10, section 6;

(20) plumbers who are employed by the Metropolitan Airports Commission, with coverage under a collective bargaining agreement by the Plumbers Local 34 pension plan, who either were first employed after May 1, 2001, or if first employed before May 2, 2001, elected to be excluded under Laws 2001, First Special Session chapter 10, article 10, section 6;

(21) employees who are hired after June 30, 2002, to fill seasonal positions under subdivision 12b which are limited in duration by the employer to 185 consecutive calendar days or less in each year of employment with the governmental subdivision;

(22) persons who are provided supported employment or work-study positions by a governmental subdivision and who participate in an employment or industries program maintained for the benefit of these persons where the governmental subdivision limits the position's duration to three years or less, including persons participating in a federal or state subsidized on-the-job training, work experience, senior citizen, youth, or unemployment relief program where the training or work experience is not provided as a part of, or for, future permanent public employment;

(23) independent contractors and the employees of independent contractors;

(24) reemployed annuitants of the association during the course of that reemployment; and

(25) persons appointed to serve on a board or commission of a governmental subdivision or an instrumentality thereof.

(b) Any person performing the duties of a public officer in a position defined in subdivision 2a, paragraph (a), clause (3), is not an independent contractor and is not an employee of an independent contractor.

Sec. 50. Minnesota Statutes 2012, section 353.01, subdivision 6, is amended to read:

Subd. 6. **Governmental subdivision.** (a) "Governmental subdivision" means a county, city, town, school district within this state, or a department, unit or instrumentality of state or local government, or any public body established under state or local authority that has a governmental purpose, is under public control, is responsible for the employment and payment of the salaries of employees of the entity, and receives a major portion of its revenues from taxation, fees, assessments or from other public sources.

(b) Governmental subdivision also means the Public Employees Retirement Association, the League of Minnesota Cities, the Association of Metropolitan Municipalities, charter schools formed under section 124D.10, service cooperatives exercising retirement plan participation under section 123A.21, subdivision 5, joint powers boards organized under section 471.59, subdivision 11, paragraph (a), family service collaboratives and children's mental health collaboratives organized under section 471.59, subdivision 11, paragraph (b) or (c), provided that the entities creating the collaboratives are governmental units that otherwise qualify for retirement plan membership, public hospitals owned or operated by, or an integral part of, a governmental subdivision or governmental subdivisions, the Association of Minnesota Counties, the Minnesota Inter-county Association, the Minnesota

Municipal Utilities Association, the Metropolitan Airports Commission, the University of Minnesota with respect to police officers covered by the public employees police and fire retirement plan, the Minneapolis Employees Retirement Fund for employment initially commenced after June 30, 1979, the Range Association of Municipalities and Schools, soil and water conservation districts, economic development authorities created or operating under sections 469.090 to 469.108, the Port Authority of the city of St. Paul, the Seaway Port Authority of Duluth, the Red Wing Port Authority, the Spring Lake Park Fire Department, incorporated, the Lake Johanna Volunteer Fire Department, incorporated, the Red Wing Environmental Learning Center, the Dakota County Agricultural Society, and Hennepin Healthcare System, Inc., and the Minneapolis Firefighters Relief Association and Minneapolis Police Relief Association with respect to staff covered by the Public Employees Retirement Association general plan.

(c) Governmental subdivision does not mean any municipal housing and redevelopment authority organized under the provisions of sections 469.001 to 469.047; or any port authority organized under sections 469.048 to 469.089 other than the Port Authority of the city of St. Paul or the Seaway Port Authority of Duluth and other than the Red Wing Port Authority; or any hospital district organized or reorganized prior to July 1, 1975, under sections 447.31 to 447.37 or the successor of the district; or the board of a family service collaborative or children's mental health collaborative organized under sections 124D.23, 245.491 to 245.495, or 471.59, if that board is not controlled by representatives of governmental units.

(d) A nonprofit corporation governed by chapter 317A or organized under Internal Revenue Code, section 501(c)(3), which is not covered by paragraph (a) or (b), is not a governmental subdivision unless the entity has obtained a written advisory opinion from the United States Department of Labor or a ruling from the Internal Revenue Service declaring the entity to be an instrumentality of the state so as to provide that any future contributions by the entity on behalf of its employees are contributions to a governmental plan within the meaning of Internal Revenue Code, section 414(d).

(e) A public body created by state or local authority may request membership on behalf of its employees by providing sufficient evidence that it meets the requirements in paragraph (a).

(f) An entity determined to be a governmental subdivision is subject to the reporting requirements of this chapter upon receipt of a written notice of eligibility from the association.

Sec. 51. Minnesota Statutes 2012, section 353.01, subdivision 10, is amended to read:

Subd. 10. **Salary.** (a) Subject to the limitations of section 356.611, "salary" means:

(1) the periodic compensation of a public employee, before deductions for deferred compensation, supplemental retirement plans, or other voluntary salary reduction programs, and also means "wages" and includes net income from fees; and

(2) for a public employee who is covered by a supplemental retirement plan under section 356.24, subdivision 1, clause (8), (9), or (10), which require all plan contributions be made by the employer, the contribution to the applicable supplemental retirement plan when an agreement between the parties establishes that the contribution will either result in a mandatory reduction of employees' wages through payroll withholdings, or be made in lieu of an amount that would otherwise be paid as wages; and

~~(3) for a public employee who has prior service covered by a local police or firefighters relief association that has consolidated with the Public Employees Retirement Association or to which section 353.665 applies and who has elected coverage either under the public employees police and fire fund benefit plan under section 353A.08 following the consolidation or under section 353.665, subdivision 4, the rate of salary upon which member contributions to the special fund of the relief association were made prior to the effective date of the consolidation as specified by law and by bylaw provisions governing the relief association on the date of the initiation of the consolidation procedure and the actual periodic compensation of the public employee after the effective date of consolidation.~~

(b) Salary does not mean:

(1) the fees paid to district court reporters, unused annual vacation or sick leave payments, in lump-sum or periodic payments, severance payments, reimbursement of expenses, lump-sum settlements not attached to a specific earnings period, or workers' compensation payments;

(2) employer-paid amounts used by an employee toward the cost of insurance coverage, employer-paid fringe benefits, flexible spending accounts, cafeteria plans, health care expense accounts, day care expenses, or any payments in lieu of any employer-paid group insurance coverage, including the difference between single and family rates that may be paid to a member with single coverage and certain amounts determined by the executive director to be ineligible;

(3) the amount equal to that which the employing governmental subdivision would otherwise pay toward single or family insurance coverage for a covered employee when, through a contract or agreement with some but not all employees, the employer:

(i) discontinues, or for new hires does not provide, payment toward the cost of the employee's selected insurance coverages under a group plan offered by the employer;

(ii) makes the employee solely responsible for all contributions toward the cost of the employee's selected insurance coverages under a group plan offered by the employer, including any amount the employer makes toward other employees' selected insurance coverages under a group plan offered by the employer; and

(iii) provides increased salary rates for employees who do not have any employer-paid group insurance coverages;

(4) except as provided in section 353.86 or 353.87, compensation of any kind paid to volunteer ambulance service personnel or volunteer firefighters, as defined in subdivision 35 or 36;

(5) the amount of compensation that exceeds the limitation provided in section 356.611; and

(6) amounts paid by a federal or state grant for which the grant specifically prohibits grant proceeds from being used to make pension plan contributions, unless the contributions to the plan are made from sources other than the federal or state grant.

(c) Amounts provided to an employee by the employer through a grievance proceeding or a legal settlement are salary only if the settlement is reviewed by the executive director and the amounts are determined by the executive director to be consistent with paragraph (a) and prior determinations.

Sec. 52. Minnesota Statutes 2012, section 353.01, subdivision 16, is amended to read:

Subd. 16. **Allowable service; limits and computation.** (a) "Allowable service" means:

(1) service during years of actual membership in the course of which employee deductions were withheld from salary and contributions were made at the applicable rates under section 353.27, 353.65, or 353E.03;

(2) periods of service covered by payments in lieu of salary deductions under sections 353.27, subdivision 12, and 353.35;

(3) service in years during which the public employee was not a member but for which the member later elected, while a member, to obtain credit by making payments to the fund as permitted by any law then in effect;

(4) a period of authorized leave of absence with pay from which deductions for employee contributions are made, deposited, and credited to the fund;

(5) a period of authorized personal, parental, or medical leave of absence without pay, including a leave of absence covered under the federal Family Medical Leave Act, that does not exceed one year, and for which a member obtained service credit for each month in the leave period by payment under section 353.0161 to the fund made in place of salary deductions. An employee must return to public service and render a minimum of three months of allowable service in order to be eligible to make payment under section 353.0161 for a subsequent authorized leave of absence without pay. Upon payment, the employee must be granted allowable service credit for the purchased period;

(6) a periodic, repetitive leave that is offered to all employees of a governmental subdivision. The leave program may not exceed 208 hours per annual normal work cycle as certified to the association by the employer. A participating member obtains service credit by making employee contributions in an amount or amounts based on the member's average salary, excluding overtime pay, that would have been paid if the leave had not been taken. The employer shall pay the employer and additional employer contributions on behalf of the participating member. The employee and the employer are responsible to pay interest on their respective shares at the rate of 8.5 percent a year, compounded annually, from the end of the normal cycle until full payment is made. An employer shall also make the employer and additional employer contributions, plus 8.5 percent interest, compounded annually, on behalf of an employee who makes employee contributions but terminates public service. The employee contributions must be made within one year after the end of the annual normal working cycle or within 30 days after termination of public service, whichever is sooner. The executive director shall prescribe the manner and forms to be used by a governmental subdivision in administering a periodic, repetitive leave. Upon payment, the member must be granted allowable service credit for the purchased period;

(7) an authorized temporary or seasonal layoff under subdivision 12, limited to three months allowable service per authorized temporary or seasonal layoff in one calendar year. An employee who has received the maximum service credit allowed for an authorized temporary or seasonal layoff must return to public service and must obtain a minimum of three months of allowable service subsequent to the layoff in order to receive allowable service for a subsequent authorized temporary or seasonal layoff;

(8) a period during which a member is absent from employment by a governmental subdivision by reason of service in the uniformed services, as defined in United States Code, title 38, section 4303(13), if the member returns to public service with the same governmental subdivision upon discharge from service in the uniformed service within the time frames required under United States Code, title 38, section 4312(e), provided that the member did not separate from uniformed service with a dishonorable or bad conduct discharge or under other than honorable conditions. The service must be credited if the member pays into the fund equivalent employee contributions based upon the contribution rate or rates in effect at the time that the uniformed service was performed multiplied by the full and fractional years being purchased and applied to the annual salary rate. The annual salary rate is the average annual salary, excluding overtime pay, during the purchase period that the member would have received if the member had continued to be employed in covered employment rather than to provide uniformed service, or, if the determination of that rate is not reasonably certain, the annual salary rate is the member's average salary rate, excluding overtime pay, during the 12-month period of covered employment rendered immediately preceding the period of the uniformed service. Payment of the member equivalent contributions must be made during a period that begins with the date on which the individual returns to public employment and that is three times the length of the military leave period, or within five years of the date of discharge from the military service, whichever is less. If the determined payment period is less than one year, the contributions required under this clause to receive service credit may be made within one year of the discharge date. Payment may not be accepted following 30 days after termination of public service under subdivision 11a. If the member equivalent contributions provided for in this clause are not paid in full, the member's allowable service credit must be prorated by multiplying the full and fractional number of years of uniformed service eligible for purchase by the ratio obtained by dividing the total member contributions received by the total member contributions otherwise

required under this clause. The equivalent employer contribution, and, if applicable, the equivalent additional employer contribution must be paid by the governmental subdivision employing the member if the member makes the equivalent employee contributions. The employer payments must be made from funds available to the employing unit, using the employer and additional employer contribution rate or rates in effect at the time that the uniformed service was performed, applied to the same annual salary rate or rates used to compute the equivalent member contribution. The governmental subdivision involved may appropriate money for those payments. The amount of service credit obtainable under this section may not exceed five years unless a longer purchase period is required under United States Code, title 38, section 4312. The employing unit shall pay interest on all equivalent member and employer contribution amounts payable under this clause. Interest must be computed at a rate of 8.5 percent compounded annually from the end of each fiscal year of the leave or the break in service to the end of the month in which the payment is received. Upon payment, the employee must be granted allowable service credit for the purchased period; or

(9) a period specified under section 353.0162.

(b) For calculating benefits under sections 353.30, 353.31, 353.32, and 353.33 for state officers and employees displaced by the Community Corrections Act, chapter 401, and transferred into county service under section 401.04, "allowable service" means the combined years of allowable service as defined in paragraph (a), clauses (1) to (6), and section 352.01, subdivision 11.

~~(c) For a public employee who has prior service covered by a local police or firefighters relief association that has consolidated with the Public Employees Retirement Association under chapter 353A or to which section 353.665 applies, and who has elected the type of benefit coverage provided by the public employees police and fire fund either under section 353A.08 following the consolidation or under section 353.665, subdivision 4, "allowable service" is a period of service credited by the local police or firefighters relief association as of the effective date of the consolidation based on law and on bylaw provisions governing the relief association on the date of the initiation of the consolidation procedure.~~

~~(d)~~ (c) No member may receive more than 12 months of allowable service credit in a year either for vesting purposes or for benefit calculation purposes. For an active member who was an active member of the former Minneapolis Firefighters Relief Association on December 29, 2011, "allowable service" is the period of service credited by the Minneapolis Firefighters Relief Association as reflected in the transferred records of the association up to December 30, 2011, and the period of service credited under paragraph (a), clause (1), after December 30, 2011. For an active member who was an active member of the former Minneapolis Police Relief Association on December 29, 2011, "allowable service" is the period of service credited by the Minneapolis Police Relief Association as reflected in the transferred records of the association up to December 30, 2011, and the period of service credited under paragraph (a), clause (1), after December 30, 2011.

~~(e)~~ (d) MS 2002 [Expired]

Sec. 53. Minnesota Statutes 2012, section 353.64, subdivision 1a, is amended to read:

Subd. 1a. **Police and fire plan; other members.** (a) A person who ~~prior to July 1, 1961, was a member of the police and fire plan, by virtue of being a police officer or firefighter, shall, as long as the person remains in either position, continue membership in the plan.~~

~~(b)~~ A person who was employed by a governmental subdivision as a police officer and was a member of the police and fire plan on July 1, 1978, by virtue of being a police officer as defined by this section on that date, and if employed by the same governmental subdivision in a position in the same department in which the person was employed on that date, continues to be a member of the plan, whether or not that person has the power of arrest by warrant and is licensed by the Peace Officers Standards and Training Board after that date.

(e) ~~(b)~~ A person who was employed as a correctional officer by Rice county before July 1, 1998, for the duration of employment in the correctional position held on July 1, 1998, continues to be a member of the public employees police and fire plan, whether or not the person has the power of arrest by warrant and is licensed by the Peace Officers Standards and Training Board after that date.

~~(d) A person who was employed by a governmental subdivision as a police officer or a firefighter, whichever applies, was an active member of the local police or salaried firefighters relief association located in that governmental subdivision by virtue of that employment as of the effective date of the consolidation as authorized by sections 353A.01 to 353A.10, and has elected coverage by the public employees police and fire plan, shall become a member of the police and fire plan after that date if employed by the same governmental subdivision in a position in the same department in which the person was employed on that date.~~

~~(e) Any police officer or firefighter of a relief association that has consolidated with the association for which the employee has not elected coverage by the public employees police and fire plan as provided in sections 353A.01 to 353A.10, or any police officer or firefighter to whom section 353.665 applies who has not elected coverage by the public employees police and fire plan as provided in section 353.665, subdivision 4, must become a member of the public employees police and fire plan, but is not subject to the provisions of sections 353.651 to 353.659 unless an election for such coverage is made under section 353.665, subdivision 4.~~

Sec. 54. Minnesota Statutes 2012, section 353.659, is amended to read:

#### **353.659 LOCAL RELIEF ASSOCIATION CONSOLIDATION ACCOUNT BENEFITS.**

(a) For any person who ~~has had~~ prior service covered by a local police or firefighters relief association which has ~~consolidated merged~~ with the public employees police and fire retirement ~~association plan~~ and who has elected the type of benefit coverage provided by the public employees police and fire fund benefit plan ~~under section 353A.08 following the consolidation as permitted by the applicable law,~~ any the retirement benefits payable are governed by the applicable provisions of this chapter.

(b) For any person who ~~has had~~ prior service covered by a local police or firefighters relief association which has ~~consolidated merged~~ with the public employees police and fire retirement ~~association plan~~ and who ~~has did not elected elect~~ the type of benefit coverage provided by the public employees police and fire fund benefit plan ~~under section 353A.08 following the consolidation as permitted by the applicable law,~~ any the retirement benefits payable are governed by the provisions of Minnesota Statutes 2012, sections 353B.01 to 353B.13 which apply applied to the applicable former relief association or by section 353.6511 or 353.6512, if applicable.

Sec. 55. Minnesota Statutes 2012, section 353.665, subdivision 1, is amended to read:

Subdivision 1. **Merger-authorized Application.** ~~(a) Notwithstanding any provision of law to the contrary, unless the applicable municipality elects otherwise under paragraph (b), every This section applies to the local police and fire relief associations or consolidation account under chapter 353A in existence on March 1, 1999, becomes a part of accounts that merged with the public employees police and fire plan and fund governed by sections 353.63 to 353.659 on July 1, 1999 and are specified in paragraph (b).~~

(b) ~~If a municipality desires to retain its consolidation account The former local police or fire relief associations or consolidation accounts, whichever applies, the governing body of the municipality must adopt a resolution to that effect and must file a copy of the resolution with the secretary of state, the state auditor, the legislative auditor, the management and budget commissioner, the revenue commissioner, the executive director of the public employees retirement association, and the executive director of the Legislative Commission on Pensions and Retirement. The retention election must apply to both consolidation accounts if the municipality is associated with more than one consolidation account. The retention resolution must be adopted and filed with all recipients before June 15, 1999. are:~~



(1) the former local police and fire consolidation accounts that merged with the public employees police and fire retirement plan and fund under Laws 1999, chapter 222, article 4;

(2) the former Minneapolis Firefighters Relief Association;

(3) the former Minneapolis Police Relief Association;

(4) the former Fairmont Police Relief Association; and

(5) the former Virginia Fire Consolidation Account.

Sec. 56. Minnesota Statutes 2012, section 353.665, subdivision 5, is amended to read:

Subd. 5. **Benefit coverage for retirees and benefit recipients certain former local relief association or consolidation account members.** (a) A person who received a ~~Except as provided in paragraph (b), (e), or (f), the annuity, service pension, a disability pension or benefit, or a survivor benefit from a merging attributable to or of a former member of a former merged local police or fire consolidation account for the month of June 1999, and who has did not previously elected participation in the Minnesota postretirement investment fund for any future postretirement adjustments rather than the postretirement adjustment mechanism or mechanisms of the relief association benefit plan under section 353A.08, subdivision 1, may elect participation in the Minnesota postretirement investment fund for any future postretirement adjustments or retention of the postretirement adjustment mechanism or mechanisms of the relief association benefit plan as reflected in the applicable provisions of chapter 353B. This election must be in writing on a form prescribed by the executive director and must be made before September 1, 1999.~~ elect coverage by all or a portion of the public employees police and fire retirement plan as permitted by applicable law must be calculated or computed under the benefit plan provisions of the applicable former local police or paid firefighters relief association.

(b) If an eligible person is a minor, the election must be made by the person's parent or legal guardian. If the eligible person makes no affirmative election under this subdivision, the person retains the postretirement adjustment mechanism or mechanisms of the relief association benefit plan as reflected in the applicable provisions of chapter 353B. The annuity, service pension, disability pension or benefit, or survivor benefit attributable to or of a former member of the former Minneapolis Firefighters Relief Association or of the former Minneapolis Police Relief Association who had that status as of December 29, 2011, continue after consolidation in the same amount and under the same terms as provided in chapter 423B or 423C, respectively, and the bylaws in effect as of that date, except that the unit value is governed by section 353.01, subdivisions 10a and 10b, respectively, and the postretirement adjustments after December 31, 2015, must be calculated solely under section 353.6511, subdivision 7.

(c) On behalf of former members of the Minneapolis Firefighters Relief Association or Minneapolis Police Relief Association, the executive director shall withhold any health insurance or dental insurance premiums designated by the annuitant or benefit recipient and shall transfer them to the city of Minneapolis. The Public Employees Retirement Association may charge a necessary and reasonable monthly administrative fee to the city of Minneapolis for this function and bill it in addition to the employer contribution under section 353.65, subdivision 3, paragraph (b). Notwithstanding any provision of chapter 13 to the contrary, the executive director shall provide the city of Minneapolis with the current addresses of former members of the Minneapolis Firefighters Relief Association and the Minneapolis Police Relief Association. The city of Minneapolis shall continue to administer the health and dental insurance programs as constituted May 1, 2011, for the former members of the former Minneapolis relief associations.

(d) The executive director shall cooperate with the Minneapolis firefighters fraternal association and the Minneapolis police fraternal association to ensure adequate communications with the former members of the former Minneapolis Firefighters Relief Association or the Minneapolis Police Relief Association consistent with Public Employees Retirement Association policy.

~~(e) The survivor benefit payable on behalf of any service pension or disability benefit recipient who elects participation in the Minnesota postretirement investment fund must be calculated under the relief association benefit plan in effect on the effective date of consolidation under chapter 353A as reflected in the applicable provisions of chapter 353B.~~ (e) The annuity, service pension, disability pension or benefit, or survivor benefit attributable to or of a former member of the former Fairmont Police Relief Association must be calculated or computed under Minnesota Statutes 2000, sections 423.41 to 423.46, 423.48 to 423.59, 423.61, and 423.62; Laws 1963, chapter 423; Laws 1977, chapter 100; and Laws 1999, chapter 222, article 3, section 4, except that the annual base salary figure for pension and benefit determinations upon consolidation and for the balance of calendar year 2012 is \$106,666.67 and after December 31, 2012, annual postretirement adjustments of pensions and benefits in force must be calculated solely under section 356.415, subdivision 1c.

(f) The annuity, service pension, disability pension or benefit, or survivor benefit attributable to or of a former member of the former Virginia firefighters consolidation account must be calculated or computed under the election made under Minnesota Statutes 2012, section 353A.08, unless the person made a subsequent election under Minnesota Statutes 2012, section 353.6691, subdivision 4, subject to any additional ad hoc postretirement adjustment under Minnesota Statutes 2012, section 353.6691, subdivision 5, paragraph (d).

Sec. 57. Minnesota Statutes 2012, section 353.665, is amended by adding a subdivision to read:

Subd. 5a. **Continuing provisions; prior Minneapolis relief associations.** (a) **Health insurance account retention.** The health insurance account of the former Minneapolis Firefighters Relief Association and the health insurance account of the former Minneapolis Police Relief Association shall remain with the financial institution holding the applicable account on the effective date of this section, if the applicable financial institution adequately performs all trustee and fiduciary duties with respect to the applicable account as a condition of the retention of the account.

(b) **Health insurance account administrative expenses.** Under Laws 2011, First Special Session chapter 8, article 6, section 14, and article 7, section 14, three years of expected administrative expenses were prepaid from the Minneapolis Firefighters Relief Association and the Minneapolis Police Relief Association health insurance accounts to the financial institution holding the applicable account. After the three-year prepayment period, the beneficiaries of the applicable account are responsible for the payment of administrative expenses related to the operation of the account.

(c) **Successor in interest.** The public employees police and fire retirement plan and fund is the successor in interest to all claims for or against the former Minneapolis Firefighters Relief Association and the former Minneapolis Police Relief Association. The public employees police and fire retirement plan and fund is not liable for any claim against a former Minneapolis relief association, its governing board, or its administrative staff acting in a fiduciary capacity, under chapter 356A or common law, which is founded upon a claim of a breach of fiduciary duty if the act or acts constituting the claimed breach were not undertaken in good faith. The public employees police and fire retirement plan may assert any applicable defense to any claim in any judicial or administrative proceeding that the applicable Minneapolis relief association, its board, or its administrative staff would otherwise have been entitled to assert, and the public employees police and fire retirement plan may assert any applicable defense that it has in its capacity as a statewide agency.

(d) **Indemnification.** The Public Employees Retirement Association shall indemnify any former fiduciary of the Minneapolis relief associations consistent with the provisions of section 356A.11. The indemnification may be effected by the purchase by the Public Employees Retirement Association of reasonable fiduciary liability tail insurance for the officers and directors of the former Minneapolis relief association.

Sec. 58. Minnesota Statutes 2012, section 353.665, subdivision 8, is amended to read:

Subd. 8. **Member and employer contributions.** (a) ~~Effective on the first day of the first full pay period following June 30, 1999, Except as provided in paragraph (b), (c), or (d),~~ the employee contribution rate for ~~merging merged~~ former consolidation account active members is the rate specified in section 353.65, subdivision 2, and the regular municipal contribution rate on behalf of merged former consolidation account active members is the rate specified in section 353.65, subdivision 3.

~~(b) The municipality associated with a merging former local consolidation account that had a positive value amortizable base calculation under subdivision 7, paragraph (d), after the preliminary calculation or the second calculation, whichever applies, must make an additional municipal contribution to the public employees police and fire plan for the period from January 1, 2000, to December 31, 2009. The amount of the additional municipal contribution is the amount calculated by the actuary retained under section 356.214 and certified by the executive director of the Public Employees Retirement Association by which the amortizable base amount would be amortized on a level dollar annual end of the year contribution basis, using an 8.5 percent interest rate assumption. The additional municipal contribution is payable during the month of January, is without any interest, or if made after January 31, but before the next following December 31, is payable with interest for the period since January 1 at a rate which is equal to the preretirement interest rate assumption specified in section 356.215, subdivision 8, applicable to the public employees police and fire fund expressed as a monthly rate and compounded on a monthly basis or if made after December 31 of the year in which the additional municipal contribution is due is payable with interest at a rate which is four percent greater than the highest interest rate assumption specified in section 356.215, subdivision 8, expressed as a monthly rate and compounded monthly from January 1 of the year in which the additional municipal contribution is due until the date on which payment is made. With respect to active members of the merged former Minneapolis Firefighters Relief Association and the merged former Minneapolis Police Relief Association, there are no employee contributions payable and the employer contribution on behalf of those active members is at the rate specified in section 353.65, subdivision 3, applied to the active member's salary. In addition, an additional municipal contribution is payable by the city of Minneapolis annually on July 15, set at the amount calculated as of December 30, 2011, as sufficient to amortize, on a level annual dollar basis by December 31, 2031, the unfunded present value figure calculated as required by Minnesota Statutes 2012, section 353.667, subdivision 6, paragraph (a), and Minnesota Statutes 2012, section 353.668, subdivision 6, paragraph (a). If the postretirement or preretirement interest rate actuarial assumption applicable to the public employees police and fire retirement plan under section 356.215, subdivision 8, is modified from the rates specified in Minnesota Statutes 2010, section 356.215, subdivision 8, the remainder present value of future benefits amount calculation under Minnesota Statutes 2012, section 353.667, subdivision 6, and Minnesota Statutes 2012, section 353.668, subdivision 6, paragraph (a), updated for the passage of time, must be revised and the amortization contribution by the city of Minneapolis for the balance of the amortization period must be redetermined by the actuary retained under section 356.214 and certified by the executive director to the city of Minneapolis.~~

(c) If there are assets of the former Fairmont Police Relief Association in excess of the present value of future benefits as of June 29, 2012, these assets must be credited to an interest-bearing suspense account within the public employees police and fire retirement fund, must be used to offset any amount payable under paragraph (a) until June 30, 2015, and, after June 30, 2015, must be paid to the city of Fairmont. The suspense account must be credited with the same rate of investment return as the public employees police and fire retirement fund. If, after June 29, 2012, the postretirement or preretirement interest rate actuarial assumption applicable to the public employees police and fire retirement plan under section 356.215, subdivision 8, is modified from the rates specified in Minnesota Statutes 2010, section 356.215, subdivision 8, the remainder present value of future benefits amount calculation under paragraph (a), updated for the passage of time, must be revised and the amortization contribution by the city of Fairmont for the balance of the amortization period must be redetermined by the actuary retained under section 356.214 and certified by the executive director to the city of Fairmont.

(d) If there was a remainder present value of future benefits amounts under Minnesota Statutes 2012, section 353.6691, subdivision 5, paragraph (a), the city of Virginia shall pay an additional municipal contribution annually on or before December 31 sufficient to amortize on a level annual dollar basis by December 31, 2020, that remainder present value of future benefits amounts of the former Virginia fire department consolidation account. If, after June 29, 2012, the postretirement or preretirement interest rate actuarial assumption applicable to the public employees police and fire retirement plan under section 356.215, subdivision 8, is modified from the rates specified in Minnesota Statutes 2010, section 356.215, subdivision 8, the remainder present value of future benefits amount calculation under paragraph (a), updated for the passage of time, must be revised and any amortization contribution by the city of Virginia for the balance of the amortization period must be redetermined by the actuary retained under section 356.214 and certified by the executive director to the city of Virginia.

Sec. 59. Minnesota Statutes 2012, section 353.71, subdivision 1, is amended to read:

Subdivision 1. **Eligibility.** Any person who has been a member of a defined benefit retirement plan administered by the Public Employees Retirement Association, or a retirement plan administered by the Minnesota State Retirement System, or the Teachers Retirement Association, or any other public retirement system in the state of Minnesota having a like provision, except a retirement plan providing benefits for police officers or firefighters governed by sections ~~69.77 to 69.771~~ 69.771 to 69.776, or by sections 31 to 42, is entitled, when qualified, to an annuity from each retirement plan if the total allowable service in all retirement plans or in any two of these retirement plans totals the number of years of allowable service required to receive a normal retirement annuity for that retirement plan, provided that no portion of the allowable service upon which the retirement annuity from one retirement plan is based is again used in the computation for benefits from another retirement plan and provided further that the person has not taken a refund from any one of these retirement plans since the person's membership in that association or system last terminated. The annuity from each fund must be determined by the appropriate provisions of the law except that the requirement that a person must have at least a specific minimum period of allowable service in the respective association or system does not apply for the purposes of this section if the combined service in two or more of these retirement plans equals the number of years of allowable service required to receive a normal retirement annuity for that retirement plan.

Sec. 60. Minnesota Statutes 2012, section 356.20, subdivision 2, is amended to read:

Subd. 2. **Covered public pension plans and funds.** This section applies to the following public pension plans:

- (1) the general state employees retirement plan of the Minnesota State Retirement System;
- (2) the general employees retirement plan of the Public Employees Retirement Association;
- (3) the Teachers Retirement Association;
- (4) the State Patrol retirement plan;
- (5) the St. Paul Teachers Retirement Fund Association;
- (6) the Duluth Teachers Retirement Fund Association;
- (7) the University of Minnesota faculty retirement plan;
- (8) the University of Minnesota faculty supplemental retirement plan;
- (9) the judges retirement fund;
- (10) ~~a police or firefighter's relief association specified or described in section 69.77, subdivision 1a~~ the Bloomington Fire Department Relief Association;
- (11) a volunteer firefighter relief association governed by section 69.771, subdivision 1;
- (12) the public employees police and fire plan of the Public Employees Retirement Association;
- (13) the correctional state employees retirement plan of the Minnesota State Retirement System;
- (14) the local government correctional service retirement plan of the Public Employees Retirement Association; and
- (15) the voluntary statewide lump-sum volunteer firefighter retirement plan.

Sec. 61. Minnesota Statutes 2012, section 356.215, subdivision 18, is amended to read:

Subd. 18. **Establishment of actuarial assumptions.** (a) Before July 2, 2010, the actuarial assumptions used for the preparation of actuarial valuations under this section that are other than preretirement interest, postretirement interest, salary increase, and payroll increase may be changed only with the approval of the Legislative Commission on Pensions and Retirement or after a period of one year has elapsed since the date on which the proposed assumption change or changes were received by the Legislative Commission on Pensions and Retirement without commission action.

(b) After July 1, 2010, the actuarial assumptions used for the preparation of actuarial valuations under this section that are other than postretirement interest and preretirement interest may be changed only with the approval of the Legislative Commission on Pensions and Retirement or after a period of one year has elapsed since the date on which the proposed assumption change or changes were received by the Legislative Commission on Pensions and Retirement without commission action.

(c) A change in the applicable actuarial assumptions may be proposed by the governing board of the applicable pension fund or relief association, by the actuary retained by the joint retirement systems under section 356.214 or by the actuary retained by a local police or firefighters relief association governed by sections ~~69.77~~ or 69.771 to 69.776 or by sections 31 to 42, if one is retained.

Sec. 62. Minnesota Statutes 2012, section 356.216, is amended to read:

**356.216 CONTENTS OF ACTUARIAL VALUATIONS FOR LOCAL POLICE AND FIRE FUNDS MONTHLY VOLUNTEER FIREFIGHTER RELIEF ASSOCIATIONS.**

The provisions of section 356.215 that govern the contents of actuarial valuations ~~must~~ apply to the Bloomington Fire Department Relief Association and to any local police or fire pension fund or monthly volunteer firefighter relief association required to make an actuarial report under this section, except as follows:

~~(1) in calculating normal cost and other requirements, if required to be expressed as a level percentage of covered payroll, the salaries used in computing covered payroll must be the maximum rate of salary on which retirement and survivorship credits and amounts of benefits are determined and from which any member contributions are calculated and deducted;~~

~~(2) (1) in lieu of the amortization date specified in section 356.215, subdivision 11, the appropriate amortization target date specified in clause (2) or section 69.77, subdivision 4, or 69.773, subdivision 4, clause paragraph (c), must be used in calculating any required amortization contribution, ~~except that if the actuarial report;~~~~

~~(2) for the Bloomington Fire Department Relief Association ~~indicates an, any~~ unfunded actuarial accrued liability, ~~the unfunded obligation is to~~ must be amortized on a level dollar basis by December 31 of the year occurring 20 years ~~later~~ after the year in which the unfunded actuarial accrued liability initially occurred, and, if subsequent actuarial valuations for the Bloomington Fire Department Relief Association ~~determine~~ indicate a net actuarial experience loss incurred during the year which ended as of the day before the most recent actuarial valuation date, any unfunded actuarial accrued liability due to that loss is to be amortized on a level dollar basis by December 31 of the year occurring 20 years ~~later~~ after the year in which the net actuarial experience loss occurred;~~

~~(3) in addition to the tabulation of active members and annuitants provided for in section 356.215, subdivision 13, the member contributions for active members for the calendar year and the prospective annual retirement annuities service pensions under the benefit plan for active members must be reported;~~

(4) actuarial valuations required under section 39 must be made annually and actuarial valuations required under section 69.773, subdivision 2, must be made ~~at least every four years and actuarial valuations required under section 69.77 shall be made annually~~ or as frequently as required by generally accepted accounting principles in the government sector, whichever frequency requirement is shorter;

(5) the actuarial balance sheet showing accrued assets valued at market value ~~if the actuarial valuation is required to be prepared at least every four years or valued as current assets under section 356.215, subdivision 1, paragraph (b) or (f), whichever applies, if the actuarial valuation is required to be prepared annually,~~ actuarial accrued liabilities, and the unfunded actuarial accrued liability must include the following required reserves:

(i) for active members:

~~1. (A) retirement benefits or service pensions;~~

~~2. (B) disability benefits; and~~

~~3. refund liability due to death or withdrawal;~~

~~4. (C) survivors' benefits;~~

(ii) for deferred annuitants' benefits;

(iii) for former members without vested rights;

(iv) for annuitants:

~~1. (A) retirement annuities or service pensions;~~

~~2. (B) disability annuities; and~~

~~3. surviving spouses' annuities;~~

~~4. surviving children's annuities; (C) survivor benefits.~~

In addition to those required reserves, separate items must be shown for additional benefits, if any, which may not be appropriately included in the reserves listed above; and

(6) actuarial valuations are due to be filed with the state auditor by the first day of the seventh month after the end of the fiscal year which the actuarial valuation covers.

Sec. 63. Minnesota Statutes 2012, section 356.219, subdivision 1, is amended to read:

Subdivision 1. **Report required.** (a) The State Board of Investment, on behalf of the public pension funds and programs for which it is the investment authority, and any Minnesota public pension plan that is not fully invested through the State Board of Investment, including the Bloomington Fire Department Relief Association and a local police or volunteer firefighters relief association governed by sections ~~69.77 or 69.771 to 69.775,~~ shall report the information specified in subdivision 3 to the state auditor. The state auditor may prescribe a form or forms for the purposes of the reporting requirements contained in this section.

(b) The Bloomington Fire Department Relief Association and a local police or volunteer firefighters relief association governed by ~~section 69.77 or sections 69.771 to 69.775~~ is fully invested during a given calendar year for purposes of this section if all assets of the applicable pension plan beyond sufficient cash equivalent investments to cover six months expected expenses are invested under section 11A.17. The board of any fully invested public pension plan remains responsible for submitting investment policy statements and subsequent revisions as required by subdivision 3, paragraph (a).

(c) For purposes of this section, the State Board of Investment is considered to be the investment authority for any Minnesota public pension fund required to be invested by the State Board of Investment under section 11A.23, or for any Minnesota public pension fund authorized to invest in the supplemental investment fund under section 11A.17 and which is fully invested by the State Board of Investment.

(d) This section does not apply to the following plans:

- (1) the Minnesota unclassified employees retirement program under chapter 352D;
- (2) the public employees defined contribution plan under chapter 353D;
- (3) the individual retirement account plans under chapters 354B and 354D;
- (4) the higher education supplemental retirement plan under chapter 354C;
- (5) any alternative retirement benefit plan established under section 383B.914; and
- (6) the University of Minnesota faculty retirement plan.

Sec. 64. Minnesota Statutes 2012, section 356.219, subdivision 2, is amended to read:

Subd. 2. **Asset class definition.** (a) For purposes of this section, "asset class" means any of the following asset groupings as authorized in applicable law, bylaws, or articles of incorporation:

- (1) cash and any cash equivalent investments with maturities of one year or less when issued;
- (2) debt securities with maturities greater than one year when issued, including but not limited to mortgage participation certificates and pools, asset backed securities, guaranteed investment contracts, and authorized government and corporate obligations of corporations organized under laws of the United States or any state, or the Dominion of Canada or its provinces;
- (3) stocks or convertible issues of any corporation organized under laws of the United States or any state, or the Dominion of Canada or its provinces, or any corporation listed on the New York Stock Exchange or the American Stock Exchange;
- (4) international stocks or convertible issues;
- (5) international debt securities; and
- (6) real estate and venture capital.

(b) If the pension plan is investing ~~under section 69.77, subdivision 9, section 69.775, or any other applicable law,~~ in open-end investment companies registered under the federal Investment Company Act of 1940, or in the Minnesota supplemental investment fund under section 11A.17, this investment must be included under an asset class indicated in paragraph (a), clauses (1) through (6), as appropriate. If the investment vehicle includes underlying securities from more than one asset class as indicated by paragraph (a), clauses (1) through (6), the investment may be treated as a separate asset class.

Sec. 65. Minnesota Statutes 2012, section 356.219, subdivision 8, is amended to read:

Subd. 8. **Timing of reports.** (a) For ~~salaried firefighter relief associations, police~~ the Bloomington Fire Department Relief Association and the volunteer firefighter relief associations, the information required under this section must be submitted by the due date for reports required under section 69.051, subdivision 1 or 1a, as applicable. If a relief association satisfies the definition of a fully invested plan under subdivision 1, paragraph (b), for the calendar year covered by the report required under section 69.051, subdivision 1 or 1a, as applicable, the chief administrative officer of the covered pension plan shall certify that compliance on a form prescribed by the state auditor. The state auditor shall transmit annually to the State Board of Investment a list or lists of covered pension plans which submitted certifications in order to facilitate reporting by the State Board of Investment under paragraph (c).

(b) For the St. Paul Teachers Retirement Fund Association, the Duluth Teachers Retirement Fund Association, and the University of Minnesota faculty supplemental retirement plan, the information required under this section must be submitted to the state auditor by June 1 of each year.

(c) The State Board of Investment, on behalf of pension funds specified in subdivision 1, paragraph (c), must report information required under this section by September 1 of each year.

Sec. 66. Minnesota Statutes 2012, section 356.406, subdivision 1, is amended to read:

Subdivision 1. **Definitions.** (a) Each of the words or terms defined in this subdivision has the meaning indicated.

(b) "Public pension plan" means any retirement plan or fund enumerated in section 356.20, subdivision 2, or 356.30, subdivision 3, the Bloomington Fire Department Relief Association, any relief association governed by ~~section 69.77 or~~ sections 69.771 to 69.775, any retirement plan governed by chapter 354B or 354C, the Hennepin County supplemental retirement plan governed by sections 383B.46 to 383B.52, or any housing and redevelopment authority retirement plan.

(c) "Public pension plan member" means a person who is a participant covered by a public pension plan; a former participant of a public pension plan who has sufficient service to be entitled to receive a future retirement annuity or service pension; a recipient of a retirement annuity, service pension, or disability benefit from a public pension plan; or a former participant of a public pension plan who has member or employee contributions to the person's credit in the public pension plan.

(d) "Survivor" means the surviving spouse, a former spouse, a surviving child, a joint annuitant, a designated recipient of a second or remainder portion of an optional annuity form, a beneficiary, or the estate of a deceased public pension plan member, as those terms are commonly understood or defined in the benefit plan document of the public pension plan.

(e) "Survivor benefit" means a surviving spouse benefit, surviving child benefit, second or remainder portion of an optional annuity form, a death benefit, a funeral benefit, or a refund of member or employee contributions payable on account of the death of a public pension plan member as provided for in the benefit plan document of the public pension plan.

Sec. 67. Minnesota Statutes 2012, section 356A.01, subdivision 19, is amended to read:

Subd. 19. **Pension fund.** "Pension fund" means the assets amassed and held in a pension plan, other than the general fund, as reserves for present and future payment of benefits and administrative expenses. For the Bloomington Fire Department Relief Association or a retirement plan governed by section 69.77 or by chapter 424A, the term means the relief association special fund.



Sec. 68. Minnesota Statutes 2012, section 356A.06, subdivision 4, is amended to read:

Subd. 4. **Economic interest statement.** (a) Each member of the governing board of a covered pension plan and the chief administrative officer of the plan shall file with the plan a statement of economic interest.

(b) For a covered pension plan other than a plan specified in paragraph (c), the statement must contain the information required by section 10A.09, subdivision 5, and any other information that the fiduciary or the governing board of the plan determines is necessary to disclose a reasonably foreseeable potential or actual conflict of interest.

(c) For a covered pension plan governed by sections 69.771 to 69.776 or ~~a covered pension plan governed by section 69.77~~ with the Bloomington Fire Department Relief Association if its special fund assets are under \$8,000,000, the statement must contain the following:

(1) the person's principal occupation and principal place of business;

(2) whether or not the person has an ownership of or interest of ten percent or greater in an investment security brokerage business, a real estate sales business, an insurance agency, a bank, a savings and loan, or another financial institution; and

(3) any relationship or financial arrangement that can reasonably be expected to give rise to a conflict of interest.

(d) The statement must be filed annually with the chief administrative officer of the plan and be available for public inspection during regular office hours at the office of the pension plan.

(e) A disclosure form meeting the requirements of the federal Investment Advisers Act of 1940, United States Code, title 15, sections 80b-1 to 80b-21 as amended, and filed with the State Board of Investment or the pension plan meets the requirements of this subdivision.

(f) The chief administrative officer of each covered pension plan, by January 15, annually, shall transmit a certified listing of all individuals who have filed statements of economic interest with the plan under this subdivision during the preceding 12 months and the address of the office referenced in paragraph (d) to the Campaign Finance and Public Disclosure Board.

Sec. 69. Minnesota Statutes 2012, section 356A.07, subdivision 2, is amended to read:

Subd. 2. **Annual financial report.** A covered pension plan shall provide each active plan participant and benefit recipient with a copy of the most recent annual financial report required by section 356.20 and a copy of the most recent actuarial evaluation, if any, required by section ~~69.77~~, 69.773, 356.215, or 356.216, or by section 39, or a summary of those reports.

Sec. 70. Minnesota Statutes 2012, section 423A.02, subdivision 1, is amended to read:

Subdivision 1. **Amortization state aid.** (a) ~~A municipality in which is located a local police or salaried firefighters relief association to which the provisions of section 69.77, apply, that had an unfunded actuarial accrued liability in the most recent relief association actuarial valuation, is entitled, upon application as required by the commissioner of revenue, to receive local police and salaried firefighters' relief association amortization state aid if the municipality and the appropriate relief association both comply with the applicable provisions of sections 69.031, subdivision 5, 69.051, subdivisions 1 and 3, and 69.77. The cities of Fairmont and Minneapolis are entitled, subject to subdivisions 2, 4, and 5, to receive amortization state aid under this section.~~

(b) The total amount of amortization state aid to all entitled municipalities must not exceed ~~\$5,055,000~~ the appropriation under subdivision 3a.

(c) ~~Subject to the adjustment for the city of Minneapolis provided in this paragraph, the amount of amortization state aid to which a municipality is entitled annually is an amount equal to the level annual dollar amount required to amortize, by December 31, 2010, the unfunded actuarial accrued liability of the special fund of the appropriate relief association as reported in the December 31, 1978, actuarial valuation of the relief association prepared under sections 356.215 and 356.216, reduced by the dollar amount required to pay the interest on the unfunded actuarial accrued liability of the special fund of the relief association for calendar year 1981 set at the rate specified in Minnesota Statutes 1978, section 356.215, subdivision 8. For the city of Minneapolis, the amortization state aid amount thus determined must be reduced by \$747,232 on account of the former Minneapolis Police Relief Association and by \$772,768 on account of the former Minneapolis Fire Department Relief Association. The amortization state aid amounts are:~~

<u>City</u>	<u>Aid Amount</u>
<u>Fairmont</u>	<u>\$24,172</u>
<u>Minneapolis</u>	<u>\$2,728,547</u>

If the amortization state aid amounts determined under this paragraph exceed the amount appropriated for this purpose under subdivision 3a, the amortization state aid for actual allocation must be reduced pro rata.

(d) Each municipality is eligible for an amortization state aid payment in a fiscal year if:

(1) for Fairmont, the executive director of the Public Employees Retirement Association certifies on or before June 30 that a municipal contribution with respect to the former Fairmont Police Relief Association is payable in the upcoming fiscal year under section 353.665, subdivision 8, paragraph (c); and

(2) for Minneapolis, the executive director of the Public Employees Retirement Association certifies on or before June 30 that an additional employer contribution with respect to either the former Minneapolis Firefighters Relief Association or the former Minneapolis Police Relief Association is payable in the upcoming fiscal year under section 353.665, subdivision 8, paragraph (b).

Payment of amortization state aid to municipalities must be made ~~directly~~ to the municipalities involved in three equal installments on July 15, September 15, and November 15 annually. Upon receipt of amortization state aid, the municipal treasurer shall transmit the aid amount to the treasurer custodian of the local relief association trust fund or to the executive director of the public employees police and fire retirement fund, whichever applies, for immediate deposit ~~in the special fund of the relief association~~.

(e) The commissioner of revenue shall administer the amortization state aid program. The commissioner shall prescribe and periodically revise, as necessary, the form for and required content of the application certifications for the amortization state aid.

~~(f) The amount required under this section, as provided in subdivision 3a, is appropriated annually from the general fund to the commissioner of revenue.~~

Sec. 71. Minnesota Statutes 2012, section 423A.02, subdivision 1b, is amended to read:

Subd. 1b. **Additional amortization state aid.** ~~(a) Annually, on October 1, the commissioner of revenue shall allocate the additional amortization state aid transferred under section 69.021, subdivision 11, to:~~

~~(1) all police or salaried firefighters relief associations governed by and in full compliance with the requirements of section 69.77, that had an unfunded actuarial accrued liability in the actuarial valuation prepared under sections 356.215 and 356.216 as of the preceding December 31;~~

~~(2) all local police or salaried firefighter consolidation accounts governed by chapter 353A that are certified by the executive director of the public employees retirement association as having for the current fiscal year an additional municipal contribution amount under section 353A.09, subdivision 5, paragraph (b), and that have implemented section 353A.083, subdivision 1, if the effective date of the consolidation preceded May 24, 1993, and that have implemented section 353A.083, subdivision 2, if the effective date of the consolidation preceded June 1, 1995; and~~

~~(3) the municipalities that are required to make an additional municipal contribution under section 353.665, subdivision 8; 353.667, subdivision 6; or 353.668, subdivision 6, for the duration of the required additional contribution.~~

~~(b) The commissioner shall allocate the state aid on the basis of the proportional share of the relief association or consolidation account of the total unfunded actuarial accrued liability of all recipient relief associations and consolidation accounts as of December 31, 1993, for relief associations, and as of June 30, 1994, for consolidation accounts.~~

~~(c) (a) Beginning October 1, 2000~~ 2013, and annually thereafter, the commissioner shall allocate the additional amortization state aid, including any state aid in excess of the limitation in subdivision 4, on the following basis:

~~(1) 64.5 percent to the municipalities to which section 353.665, subdivision 8, paragraph (b), or 353A.09, subdivision 5, paragraph (b), apply for distribution in accordance with paragraph (b) and subject to the limitation in subdivision 4;~~

~~(2) 34.2 (1) 47.1 percent to the city of Minneapolis to fund any unfunded actuarial accrued liability in the actuarial valuation prepared under sections 356.215 and 356.216 as of the preceding December 31 for the Minneapolis Police Relief Association or the Minneapolis Fire Department Relief Association; and defray the employer costs associated with police and firefighter retirement coverage;~~

~~(2) 25.8 percent as additional funding to support the minimum fire state aid for volunteer firefighter relief associations under section 69.021, subdivision 7, paragraph (d);~~

~~(3) 12.9 percent to the city of Duluth to defray employer costs associated with police and firefighter retirement coverage;~~

~~(4) 12.9 percent to the St. Paul Teachers Retirement Fund Association if the investment performance requirement of paragraph (c) is met; and~~

~~(3) (5) 1.3 percent to the city of Virginia to fund any unfunded actuarial accrued liability in the actuarial valuation prepared under sections 356.215 and 356.216 as of the preceding December 31 for the Virginia Fire Department Relief Association defray the employer contribution under section 353.665, subdivision 8, paragraph (d).~~

If there is no ~~unfunded actuarial accrued liability in both~~ additional employer contribution under section 353.665, subdivision 8, paragraph (b), certified under subdivision 1, paragraph (d), clause (2), with respect to the former Minneapolis Police Relief Association and the former Minneapolis Fire Department Relief Association as disclosed in the most recent actuarial valuations for the relief associations prepared under sections 356.215 and 356.216, the commissioner shall allocate that ~~34.2~~ 47.1 percent of the aid as follows: 49 percent to the Teachers Retirement Association, 21 percent to the St. Paul Teachers Retirement Fund Association, and 30 percent as additional funding to support minimum fire state aid for volunteer firefighters relief associations. If there is no ~~unfunded actuarial accrued liability in employer contribution by the city of Virginia Fire Department Relief Association as disclosed in the most recent actuarial valuation for the relief association prepared under sections 356.215 and 356.216 under section 353.665, subdivision 8, paragraph (d), for the former Virginia Fire Department Relief Association certified on or before June 30 by the executive director of the Public Employees Retirement Association~~, the commissioner shall allocate that 1.3 percent of the aid as follows: 49 percent to the Teachers Retirement Association, 21 percent to the St. Paul Teachers Retirement Fund Association, and 30 percent as additional funding to support minimum fire state aid for volunteer firefighters relief associations. ~~Upon the final payment to municipalities required by section~~

~~353.665, subdivision 8, paragraph (b), or 353A.09, subdivision 5, paragraph (b), the commissioner shall allocate that 64.5 percent of the aid as follows: 20 percent to the St. Paul Teachers Retirement Fund Association, 20 percent to the city of Minneapolis to fund any unfunded actuarial accrued liability in the actuarial valuation proposed under sections 356.215 and 356.216 as of the preceding December 31 for the Minneapolis Police Relief Association or the Minneapolis Firefighters Relief Association, 20 percent for the city of Duluth to pay for any costs associated with the police and firefighters pensions, and 40 percent as additional funding to support minimum fire state aid for volunteer firefighters relief associations.~~

~~(b) The allocation must be made by the commissioner at the same time and under the same procedures as specified in subdivision 3 of revenue on October 1 annually.~~

~~(c) With respect to the St. Paul Teachers Retirement Fund Association, annually, beginning on July 1, 2005, if the applicable teacher's association five-year average time-weighted rate of investment return does not equal or exceed the performance of a composite portfolio assumed passively managed (indexed) invested ten percent in cash equivalents, 60 percent in bonds and similar debt securities, and 30 percent in domestic stock calculated using the formula under section 11A.04, clause (11), the aid allocation to that the retirement fund under this section ceases until the five-year annual rate of investment return equals or exceeds the performance of that composite portfolio.~~

~~(d) The amounts required under this subdivision are the amounts annually appropriated to the commissioner of revenue under section 69.021, subdivision 11, paragraph (e), and the aid amounts in excess of the limitation in subdivision 4.~~

Sec. 72. Minnesota Statutes 2012, section 423A.02, subdivision 2, is amended to read:

Subd. 2. **Continued eligibility.** A municipality that ~~has qualified for amortization state aid under subdivision 1 on December 31, 1984, and has an additional municipal contribution payable under section 353A.09, subdivision 5, paragraph (b), as of the most recent December 31, continues upon application to be entitled to receive amortization state aid under subdivision 1 and supplementary amortization state aid under subdivision 1a, after the local police or salaried firefighters' relief association has been consolidated into the public employees police and fire fund. If a municipality loses entitlement for amortization state aid and supplementary amortization state aid in any year because of not having an additional municipal contribution under section 353A.09, subdivision 5, paragraph (b), the municipality is not entitled to the aid amounts in any subsequent year. A municipality that received amortization aid in 1999 and is required to make an additional municipal contribution under section 353.665, subdivision 8, continues to qualify for the amortization state aid and the supplemental amortization aid until December 31, 2009 received amortization aid in 2011 and is required to make a municipal contribution under section 353.665, subdivision 8, paragraph (b), (c), or (d), whichever applies, continues to qualify for amortization state aid for the duration of the applicable municipal contribution.~~

Sec. 73. Minnesota Statutes 2012, section 423A.02, subdivision 3, is amended to read:

Subd. 3. **Reallocation of amortization or supplementary amortization state aid.** (a) Seventy percent of the difference between \$5,720,000 and the current year amortization aid ~~and supplemental amortization aid~~ distributed under ~~subdivisions~~ subdivision 1 and 1a that is not distributed for any reason to a municipality ~~for use by a local police or salaried fire relief association~~ must be distributed by the commissioner of revenue according to this paragraph. The commissioner shall distribute 50 percent of the amounts derived under this paragraph to the Teachers Retirement Association, ten percent to the Duluth Teachers Retirement Fund Association, and 40 percent to the St. Paul Teachers Retirement Fund Association to fund the unfunded actuarial accrued liabilities of the respective funds. These payments ~~shall~~ must be made on ~~or before June 30~~ July 15 each fiscal year. If the St. Paul Teachers Retirement Fund Association ~~or the Duluth Teachers Retirement Fund Association~~ becomes fully funded, ~~its~~ the association's eligibility for its portion of this aid ceases. Amounts remaining in the undistributed balance account at the end of the biennium if aid eligibility ceases cancel to the general fund.

(b) In order to receive amortization ~~and supplementary amortization~~ aid under paragraph (a), ~~prior to before~~ June 30 ~~annually~~ Independent School District No. 625, St. Paul, must make an additional contribution of \$800,000 each year to the St. Paul Teachers Retirement Fund Association.

(c) Thirty percent of the difference between \$5,720,000 and the current year amortization aid ~~and supplemental amortization aid~~ under ~~subdivisions 1 and subdivision~~ 1a that is not distributed for any reason to a municipality ~~for use by a local police or salaried firefighter relief association~~ must be distributed under section 69.021, subdivision 7, paragraph (d), as additional funding to support a minimum fire state aid amount for volunteer firefighter relief associations.

Sec. 74. Minnesota Statutes 2012, section 423A.02, subdivision 3a, is amended to read:

Subd. 3a. **Appropriations for amortization state aid; ~~supplementary amortization state aid; and amortization state aid and supplementary state aid reallocations.~~** ~~\$4,720,000~~ \$5,720,000 is annually appropriated from the general fund to the commissioner of revenue for amortization state aid under subdivision 1, and for the reallocation of amortization aid under subdivision 3. ~~\$1,000,000 is annually appropriated from the general fund to the commissioner of revenue for supplementary amortization state aid under subdivision 1a, and for the reallocation of supplementary amortization state aid under subdivision 3.~~

Sec. 75. Minnesota Statutes 2012, section 423A.02, subdivision 4, is amended to read:

Subd. 4. **Limit on certain total aid amounts.** (a) The total of amortization aid, ~~supplemental amortization aid,~~ and additional amortization aid under this section payable to a municipality to which section 353.665, subdivision 8, paragraph (b), (c), or (d), applies, may not exceed the amount of the additional municipal contribution payable by an individual municipality under section 353.665, subdivision 8, paragraph (b), (c), or (d).

(b) Any aid amount in excess of the limit under this subdivision for an individual municipality must be redistributed to the other municipalities to which section 353.665, subdivision 8, paragraph (b), (c), or (d), applies. The excess aid must be distributed in proportion to each municipality's additional municipal contribution under section 353.665, subdivision 8, paragraph (b), (c), or (d).

(c) When the total aid for each municipality under this section equals the limit under paragraph (a), any aid in excess of the limit must be redistributed under subdivision 1b.

Sec. 76. Minnesota Statutes 2012, section 423A.02, subdivision 5, is amended to read:

Subd. 5. **Termination of state aid programs.** The amortization state aid, ~~supplemental amortization state aid,~~ and additional amortization state aid programs terminate as of the December 31, next following the date of the actuarial valuation when the assets of the St. Paul Teachers Retirement Fund Association equal the actuarial accrued liability of that plan or ~~December 31, 2009~~ when the assets of the Duluth Teachers Retirement Fund Association equal the actuarial accrued liability of that plan, whichever is later.

Sec. 77. Minnesota Statutes 2012, section 424A.001, subdivision 4, is amended to read:

Subd. 4. **Relief association.** (a) "Relief association" or "volunteer firefighters' relief association" means a volunteer firefighters' relief association or a volunteer firefighters' division or account of a partially salaried and partially volunteer firefighters' relief association that is:

(1) organized and incorporated as a nonprofit corporation to provide retirement benefits to volunteer firefighters under chapter 317A and any laws of the state;

(2) governed by this chapter and sections 69.771 to 69.775; and

(3) directly associated with:

(i) a fire department established by municipal ordinance;

(ii) an independent nonprofit firefighting corporation that is organized under the provisions of chapter 317A and that operates primarily for firefighting purposes; or

(iii) a fire department operated as or by a joint powers entity that operates primarily for firefighting purposes.

(b) "Relief association" or "volunteer firefighters' relief association" does not mean:

(1) the Bloomington Fire Department Relief Association governed by ~~section 69.77~~ sections 31 to 42; Minnesota Statutes 2000, chapter 424; and Laws 1965, chapter 446, as amended; or

(2) the voluntary statewide lump-sum volunteer firefighter retirement plan governed by chapter 353G.

(c) A relief association or volunteer firefighters' relief association is a governmental entity that receives and manages public money to provide retirement benefits for individuals providing the governmental services of firefighting and emergency first response.

Sec. 78. Minnesota Statutes 2012, section 424A.02, subdivision 9, is amended to read:

Subd. 9. **Limitation on ancillary benefits.** A defined benefit relief association, including any volunteer firefighters relief association governed by ~~section 69.77~~ sections 31 to 42 or any volunteer firefighters division of a relief association governed by chapter 424, may only pay ancillary benefits which would constitute an authorized disbursement as specified in section 424A.05 subject to the following requirements or limitations:

(1) with respect to a defined benefit relief association in which governing bylaws provide solely for a lump-sum service pension to a retiring member, or provide a retiring member the choice of either a lump-sum service pension or a monthly service pension and the lump-sum service pension was chosen, no ancillary benefit may be paid to any former member or paid to any person on behalf of any former member after the former member (i) terminates active service with the fire department and active membership in the relief association; and (ii) commences receipt of a service pension as authorized under this section; and

(2) with respect to any defined benefit relief association, no ancillary benefit paid or payable to any member, to any former member, or to any person on behalf of any member or former member, may exceed in amount the total earned service pension of the member or former member. The total earned service pension must be calculated by multiplying the service pension amount specified in the bylaws of the relief association at the time of death or disability, whichever applies, by the years of service credited to the member or former member. The years of service must be determined as of (i) the date the member or former member became entitled to the ancillary benefit; or (ii) the date the member or former member died entitling a survivor or the estate of the member or former member to an ancillary benefit. The ancillary benefit must be calculated without regard to whether the member had attained the minimum amount of service and membership credit specified in the governing bylaws. For active members, the amount of a permanent disability benefit or a survivor benefit must be equal to the member's total earned service pension except that the bylaws of a defined benefit relief association may provide for the payment of a survivor benefit in an amount not to exceed five times the yearly service pension amount specified in the bylaws on behalf of any member who dies before having performed five years of active service in the fire department with which the relief association is affiliated.

(3)(i) If a lump sum survivor or death benefit is payable under the articles of incorporation or bylaws, the benefit must be paid:

(A) as a survivor benefit to the surviving spouse of the deceased firefighter;

(B) as a survivor benefit to the surviving children of the deceased firefighter if no surviving spouse;

(C) as a survivor benefit to a designated beneficiary of the deceased firefighter if no surviving spouse or surviving children; or

(D) as a death benefit to the estate of the deceased active or deferred firefighter if no surviving children and no beneficiary designated.

(ii) If there are no surviving children, the surviving spouse may waive, in writing, wholly or partially, the spouse's entitlement to a survivor benefit.

(4)(i) If a monthly benefit survivor or death benefit is payable under the articles of incorporation or bylaws, the benefit must be paid:

(A) as a survivor benefit to the surviving spouse of the deceased firefighter;

(B) as a survivor benefit to the surviving children of the deceased firefighter if no surviving spouse;

(C) as a survivor benefit to a designated beneficiary of the deceased firefighter if no surviving spouse or surviving children; or

(D) as a death benefit to the estate of the deceased active or deferred firefighter if no surviving spouse, no surviving children, and no beneficiary designated.

(ii) If there are no surviving children, the surviving spouse may waive, in writing, wholly or partially, the spouse's entitlement to a survivor benefit.

(iii) For purposes of this clause, if the relief association bylaws authorize a monthly survivor benefit payable to a designated beneficiary, the relief association bylaws may limit the total survivor benefit amount payable.

(5) For purposes of this section, for a monthly benefit volunteer fire relief association or for a combination lump-sum and monthly benefit volunteer fire relief association where a monthly benefit service pension has been elected by or a monthly benefit is payable with respect to a firefighter, a designated beneficiary must be a natural person. For purposes of this section, for a lump-sum volunteer fire relief association or for a combination lump-sum and monthly benefit volunteer fire relief association where a lump-sum service pension has been elected by or a lump-sum benefit is payable with respect to a firefighter, a trust created under chapter 501B may be a designated beneficiary. If a trust is payable to the surviving children organized under chapter 501B as authorized by this section and there is no surviving spouse, the survivor benefit may be paid to the trust, notwithstanding a requirement of this section to the contrary.

Sec. 79. Minnesota Statutes 2012, section 475.52, subdivision 6, is amended to read:

Subd. 6. **Certain purposes.** Any municipality may issue bonds for paying judgments against it; for refunding outstanding bonds; for funding floating indebtedness; for funding actuarial liabilities to pay postemployment benefits to employees or officers after their termination of service; or for funding all or part of the municipality's current and future unfunded liability for a pension or retirement fund or plan referred to in section 356.20, subdivision 2, as those liabilities are most recently computed under sections 356.215 and 356.216. The board of trustees or directors of a the Bloomington Fire Department Relief Association ~~referred to in section 69.77~~ must consent and must be a party to any contract made under this section with respect to the fund held by it for the benefit of and in trust for its members. For purposes of this section, the term "postemployment benefits" means benefits giving rise to a liability under Statement No. 45 of the Governmental Accounting Standards Board.

Sec. 80. **REVISOR'S INSTRUCTION.**

(a) The revisor of statutes shall not show the text of Minnesota Statutes, section 69.77, and shall add the note in Minnesota Statutes, section 69.77, "CITY OF BLOOMINGTON; LOCAL."

(b) In Minnesota Statutes 2014 and subsequent editions, Minnesota Statutes, sections 69.771 to 69.776 must be recodified as Minnesota Statutes, sections 424A.091 to 424A.096, and all statutory cross-references revised.

Sec. 81. **REPEALER.**

(a) Minnesota Statutes 2012, section 353.665, subdivisions 2, 3, 4, 6, 7, 9, and 10, are repealed.

(b) Minnesota Statutes 2012, sections 353.667; 353.668; 353.669; and 353.6691, are repealed.

(c) Minnesota Statutes 2012, sections 353A.01; 353A.02; 353A.03; 353A.04; 353A.05; 353A.06; 353A.07; 353A.08; 353A.081; 353A.083; 353A.09; 353A.10; 353B.01; 353B.02; 353B.03; 353B.04; 353B.05; 353B.06; 353B.07; 353B.08; 353B.09; 353B.10; 353B.11; 353B.12; 353B.13; and 353B.14, are repealed.

(d) Minnesota Statutes 2012, sections 423A.01; 423A.04; 423A.05; 423A.07; 423A.10; 423A.11; 423A.12; 423A.13; 423A.14; 423A.15; 423A.16; 423A.17; 423A.171; 423A.18; 423A.19; 423A.20; 423A.21; and 423A.22, are repealed.

(e) Minnesota Statutes 2012, sections 69.021, subdivision 6; 353.64, subdivision 3; and 423A.02, subdivision 1a, are repealed.

(f) Minnesota Statutes 2012, section 69.77, subdivision 3, is repealed.

Sec. 82. **EFFECTIVE DATE; PRIOR AID ALLOCATIONS VALIDATED.**

(a) Sections 70 to 76 are effective June 1, 2013.

(b) Except as provided in paragraph (c), sections 1 to 69 and 77 to 81 are effective July 1, 2013.

(c) With respect to the city of Minneapolis, section 18 is effective retroactively from July 20, 2011, and with respect to the city of Fairmont, section 18 is effective retroactively from May 10, 2012.

(d) Allocations of amortization state aid, supplementary amortization state aid, or additional amortization state aid made by the commissioner of revenue before January 1, 2013, are hereby validated.

ARTICLE 6

VOLUNTEER FIREFIGHTER RETIREMENT CHANGES

Section 1. Minnesota Statutes 2012, section 69.771, subdivision 1, is amended to read:

Subdivision 1. **Covered relief associations.** The applicable provisions of sections 69.771 to 69.776 ~~apply to govern~~ any firefighters' relief association ~~other than defined in section 424A.001, subdivision 4, and do not apply to~~ a relief association enumerated in section 69.77, subdivision 1a, ~~which is organized under any laws of this state, which is composed of volunteer firefighters or is composed partially of volunteer firefighters and partially of salaried firefighters with retirement coverage provided by the public employees police and fire fund and which, in either case, operates subject to the service pension minimum requirements for entitlement and maximums contained in section 424A.02, or subject to a special law modifying those requirements or maximums.~~

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



Sec. 2. Minnesota Statutes 2012, section 69.774, subdivision 1, is amended to read:

Subdivision 1. **Authorized inclusion in fire state aid program; covered nonprofit corporations.** (a) This section ~~shall apply~~ applies to any independent nonprofit firefighting corporation incorporated or organized ~~pursuant to~~ under chapter 317A which: (1) operates exclusively for firefighting purposes; (2) which is composed of volunteer firefighters; and (3) which has a duly established separate subsidiary incorporated firefighters' relief association which provides retirement coverage for or pays a service pension to a retired firefighter or a retirement benefit to a surviving dependent of either an active or a retired firefighter, and which ~~operates~~ is subject to the ~~service pension minimum requirements for entitlement to and maximums for a service pension contained in section 424A.02, or a special law modifying those requirements or maximums~~ applicable provisions of chapter 424A.

(b) Notwithstanding any law to the contrary, a municipality contracting with an independent nonprofit firefighting corporation ~~shall~~ must be included in the distribution of fire state aid to the appropriate county auditor by the state auditor only if the independent nonprofit firefighting corporation complies with the provisions of this section.

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

Sec. 3. Minnesota Statutes 2012, section 353G.05, subdivision 2, is amended to read:

Subd. 2. **Election of coverage.** (a) The process for electing coverage of volunteer firefighters by the retirement plan is initiated by a request to the executive director for a cost analysis of the prospective retirement coverage.

(b) If the volunteer firefighters are currently covered by a volunteer firefighters' relief association governed by chapter 424A, the cost analysis of the prospective retirement coverage must be requested jointly by the secretary of the volunteer firefighters' relief association, following approval of the request by the board of the volunteer firefighters' relief association, and the chief administrative officer of the entity associated with the relief association, following approval of the request by the governing body of the entity associated with the relief association. If the relief association is associated with more than one entity, the chief administrative officer of each associated entity must execute the request. If the volunteer firefighters are not currently covered by a volunteer firefighters' relief association, the cost analysis of the prospective retirement coverage must be requested by the chief administrative officer of the entity operating the fire department. The request must be made in writing and must be made on a form prescribed by the executive director.

(c) The cost analysis of the prospective retirement coverage by the statewide retirement plan must be based on the service pension amount under section 353G.11 closest to the service pension amount provided by the volunteer firefighters' relief association if the relief association is a lump-sum defined benefit plan, or the amount equal to 95 percent of the most current average account balance per relief association member if the relief association is a defined contribution plan, or to the lowest service pension amount under section 353G.11 if there is no volunteer firefighters' relief association, rounded up, and any other service pension amount designated by the requester or requesters. The cost analysis must be prepared using a mathematical procedure certified as accurate by an approved actuary retained by the Public Employees Retirement Association.

(d) If a cost analysis is requested and a volunteer firefighters' relief association exists that has filed the information required under section 69.051 in a timely fashion, upon request by the executive director, the state auditor shall provide the most recent data available on the financial condition of the volunteer firefighters' relief association, the most recent firefighter demographic data available, and a copy of the current relief association bylaws. If a cost analysis is requested, but no volunteer firefighters' relief association exists, the chief administrative officer of the entity operating the fire department shall provide the demographic information on the volunteer firefighters serving as members of the fire department requested by the executive director.

(e) If a cost analysis is requested, the executive director of the State Board of Investment shall review the investment portfolio of the relief association, if applicable, for compliance with the applicable provisions of chapter 11A and for appropriateness for retention under the established investment objectives and investment policies of the State Board of Investment. If the prospective retirement coverage change is approved under paragraph (f), the State Board of Investment may require that the relief association liquidate any investment security or other asset which the executive director of the State Board of Investment has determined to be an ineligible or inappropriate investment for retention by the State Board of Investment. The security or asset liquidation must occur before the effective date of the transfer of retirement plan coverage. If requested to do so by the chief administrative officer of the relief association, the executive director of the State Board of Investment shall provide advice about the best means to conduct the liquidation.

(f) Upon receipt of the cost analysis, the governing body of the municipality or independent nonprofit firefighting corporation associated with the fire department shall either approve or disapprove the retirement coverage change within ~~90~~ 120 days. If the retirement coverage change is not acted upon within ~~90~~ 120 days, it is deemed to be disapproved. If the retirement coverage change is approved by the applicable governing body, coverage by the voluntary statewide lump-sum volunteer firefighter retirement plan is effective on the next following January 1.

**EFFECTIVE DATE.** This section is effective July 1, 2013.

Sec. 4. Minnesota Statutes 2012, section 424A.001, is amended by adding a subdivision to read:

Subd. 11. **Fiscal year.** The fiscal year for a volunteer firefighter relief association begins on January 1 of each calendar year and ends on December 31 of the same calendar year.

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

Sec. 5. Minnesota Statutes 2012, section 424A.01, subdivision 6, is amended to read:

Subd. 6. **Return to active firefighting after break in service.** (a) ~~The requirements of This section apply~~ subdivision applies to all breaks in service, except ~~breaks in that the resumption service mandated by requirements~~ of this subdivision do not apply to leaves of absence made available by federal or statute, such as the Family Medical Leave Act, United States Code, title 29, section 2691, and the Uniformed Services Employment and Reemployment Rights Act, United States Code, title 38, section 4301, and do not apply to leaves of absence made available by state law statute, such as the Parental Leave Act, section 181.941; the Leave for Organ Donations Act, section 181.9456; the Leave for Civil Air Patrol Service Act, section 181.946; the Leave for Immediate Family Members of Military Personnel Injured or Killed in Active Service Act, section 181.947; or the Protection of Jurors' Employment Act, section 593.50.

(b)(1) If a firefighter who has ceased to perform or supervise fire suppression and fire prevention duties for at least 60 days resumes performing active firefighting with the fire department associated with the relief association, if the bylaws of the relief association so permit, the firefighter may again become an active member of the relief association. A firefighter who returns to active service and membership is subject to the service pension calculation requirements under this section.

(2) A firefighter who has been granted an approved leave of absence not exceeding one year by the fire department or by the relief association is exempt from the minimum period of resumption service requirement of this section.

(3) A person who has a break in service not exceeding one year but has not been granted an approved leave of absence and who has not received a service pension or disability benefit may be made exempt from the minimum period of resumption service requirement of this section by the relief association bylaws.

(4) If the bylaws so provide, a firefighter who returns to active relief association membership under this paragraph may continue to collect a monthly service pension, notwithstanding the service pension eligibility requirements under chapter 424A.

(c) If a former firefighter who has received a service pension or disability benefit returns to active relief association membership under paragraph (b), the firefighter may qualify for the receipt of a service pension from the relief association for the resumption service period if the firefighter meets the service requirements of section 424A.016, subdivision 3, or 424A.02, subdivision 2. No firefighter may be paid a service pension more than once for the same period of service.

(d) If a former firefighter who has not received a service pension or disability benefit returns to active relief association membership under paragraph (b), the firefighter may qualify for the receipt of a service pension from the relief association for the original and resumption service periods if the firefighter meets the service requirements of section 424A.016, subdivision 3, or 424A.02, subdivision 2, based on the original and resumption years of service credit.

(e) A firefighter who returns to active lump-sum relief association membership under paragraph (b) and who qualifies for a service pension under paragraph (c) must have, upon a subsequent cessation of duties, any service pension for the resumption service period calculated as a separate benefit. If a lump-sum service pension had been paid to the firefighter upon the firefighter's previous cessation of duties, a second lump-sum service pension for the resumption service period must be calculated by applying the service pension amount in effect on the date of the firefighter's termination of the resumption service for all years of the resumption service.

(f) A firefighter who had not been paid a lump-sum service pension returns to active relief association membership under paragraph (b), who did not meet the minimum period of resumption service requirement specified in the relief association's bylaws, but who does meet the minimum service requirement of section 424A.02, subdivision 2, based on the firefighter's original and resumption years of active service, must have, upon a subsequent cessation of duties, a service pension for the original and resumption service periods calculated by applying the service pension amount in effect on the date of the firefighter's termination of the resumption service, or, if the bylaws so provide, based on the service pension amount in effect on the date of the firefighter's previous cessation of duties. The service pension for a firefighter who returns to active lump-sum relief association membership under this paragraph, but who had met the minimum period of resumption service requirement specified in the relief association's bylaws, must be calculated by applying the service pension amount in effect on the date of the firefighter's termination of the resumption service.

(g) If a firefighter receiving a monthly benefit service pension returns to active monthly benefit relief association membership under paragraph (b), and if the relief association bylaws do not allow for the firefighter to continue collecting a monthly service pension, any monthly benefit service pension payable to the firefighter is suspended as of the first day of the month next following the date on which the firefighter returns to active membership. If the firefighter was receiving a monthly benefit service pension, and qualifies for a service pension under paragraph (c), the firefighter is entitled to an additional monthly benefit service pension upon a subsequent cessation of duties calculated based on the resumption service credit and the service pension accrual amount in effect on the date of the termination of the resumption service. A suspended initial service pension resumes as of the first of the month next following the termination of the resumption service. If the firefighter was not receiving a monthly benefit service pension and meets the minimum service requirement of section 424A.02, subdivision 2, a service pension must be calculated by applying the service pension amount in effect on the date of the firefighter's termination of the resumption service for all years of service credit.

(h) A firefighter who was not receiving a monthly benefit service pension returns to active relief association membership under paragraph (b), who did not meet the minimum period of resumption service requirement specified in the relief association's bylaws, but who does meet the minimum service requirement of section 424A.02, subdivision 2, based on the firefighter's original and resumption years of active service, must have, upon a subsequent cessation of duties, a service pension for the original and resumption service periods calculated by applying the service pension amount in effect on the date of the firefighter's termination of the resumption service, or, if the bylaws so provide, based on the service pension amount in effect on the date of the firefighter's previous

cessation of duties. The service pension for a firefighter who returns to active relief association membership under this paragraph, but who had met the minimum period of resumption service requirement specified in the relief association's bylaws, must be calculated by applying the service pension amount in effect on the date of the firefighter's termination of the resumption service.

(i) For defined contribution plans, a firefighter who returns to active relief association membership under paragraph (b) and who qualifies for a service pension under paragraph (c) or (d) must have, upon a subsequent cessation of duties, any service pension for the resumption service period calculated as a separate benefit. If a service pension had been paid to the firefighter upon the firefighter's previous cessation of duties, and if the firefighter meets the minimum service requirement of section 424A.016, subdivision 3, based on the resumption years of service, a second service pension for the resumption service period must be calculated to include allocations credited to the firefighter's individual account during the resumption period of service and deductions for administrative expenses, if applicable.

(j) For defined contribution plans, if a firefighter who had not been paid a service pension returns to active relief association membership under paragraph (b), and who meets the minimum service requirement of section 424A.016, subdivision 3, based on the firefighter's original and resumption years of service, must have, upon a subsequent cessation of duties, a service pension for the original and resumption service periods calculated to include allocations credited to the firefighter's individual account during the original and resumption period periods of service and deductions for administrative expenses, if applicable, less any amounts previously forfeited under section 424A.016, subdivision 4.

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

Sec. 6. Minnesota Statutes 2012, section 424A.015, subdivision 1, is amended to read:

Subdivision 1. **Separation from active service; exception.** (a) No service pension is payable to a person while the person remains an active member of the respective fire department, and a person who is receiving a service pension is not entitled to receive any other benefits from the special fund of the relief association.

(b) No relief association as defined in section 424A.001, subdivision 4, may pay a service pension or disability benefit to a former member of the relief association if that person has not separated from active service with the fire department to which the relief association is directly associated, unless:

(1) the person ~~is employed subsequent to retirement by~~ discontinues volunteer firefighter duties with the municipality or the independent nonprofit firefighting corporation, whichever applies, ~~to perform and performs~~ duties within the municipal fire department or corporation on a full-time basis;

(2) the governing body of the municipality or of the corporation has filed its determination with the board of trustees of the relief association that the person's experience with and service to the fire department in that person's full-time capacity would be difficult to replace; and

(3) the bylaws of the relief association were amended to provide for the payment of a service pension or disability benefit for such full-time employees.

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

Sec. 7. Minnesota Statutes 2012, section 424A.015, subdivision 4, is amended to read:

Subd. 4. **Transfer to individual retirement account.** A relief association that is a qualified pension plan under section 401(a) of the Internal Revenue Code, as amended, and that provides a single payment service pension, at the written request of the applicable retiring member or, following the death of the active member, at the written request of the deceased member's surviving spouse, may directly transfer on an institution-to-institution basis the eligible member's lump-sum pension or the ~~death or~~ survivor benefit attributable to the member, whichever applies, to the requesting person's individual retirement account under section 408(a) of the Internal Revenue Code, as amended.

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

Sec. 8. Minnesota Statutes 2012, section 424A.016, subdivision 6, is amended to read:

Subd. 6. **Deferred service pensions.** (a) A member of a relief association is entitled to a deferred service pension if the member:

~~(1) has completed the lesser of the minimum period of active service with the fire department specified in the bylaws or 20 years of active service with the fire department;~~

~~(2) has completed at least five years of active membership in the relief association; and~~

~~(3) separates from active service and membership and has completed the minimum service and membership requirements in subdivision 2.~~ The requirement that a member separate from active service and membership is waived for persons who have discontinued their volunteer firefighter duties and who are employed on a full-time basis under section 424A.015, subdivision 1.

(b) The deferred service pension is payable when the former member reaches at least age 50, or at least the minimum age specified in the bylaws governing the relief association if that age is greater than age 50, and when the former member makes a valid written application.

(c) A defined contribution relief association may, if its governing bylaws so provide, credit interest or additional investment performance on the deferred lump-sum service pension during the period of deferral. If provided for in the bylaws, the interest must be paid:

(1) at the investment performance rate actually earned on that portion of the assets if the deferred benefit amount is invested by the relief association in a separate account established and maintained by the relief association;

(2) at the investment performance rate actually earned on that portion of the assets if the deferred benefit amount is invested in a separate investment vehicle held by the relief association; or

(3) at the investment return on the assets of the special fund of the defined contribution volunteer firefighter relief association in proportion to the share of the assets of the special fund to the credit of each individual deferred member account through the accounting date on which the investment return is recognized by and credited to the special fund.

(d) Unless the bylaws of a relief association that has elected to pay interest or additional investment performance on deferred lump-sum service pensions under paragraph (c) specifies a different interest or additional investment performance method, including the interest or additional investment performance period starting date and ending date, the interest or additional investment performance on a deferred service pension is creditable as follows:

(1) for a relief association that has elected to pay interest or additional investment performance under paragraph (c), clause (1) or (3), beginning on the date that the member separates from active service and membership and ending on the accounting date immediately before the deferred member commences receipt of the deferred service pension; or

(2) for a relief association that has elected to pay interest or additional investment performance under paragraph (c), clause (2), beginning on the date that the member separates from active service and membership and ending on the date that the separate investment vehicle is valued immediately before the date on which the deferred member commences receipt of the deferred service pension.

(e) The deferred service pension is governed by and must be calculated under the general statute, special law, relief association articles of incorporation, and relief association bylaw provisions applicable on the date on which the member separated from active service with the fire department and active membership in the relief association.

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

Sec. 9. Minnesota Statutes 2012, section 424A.02, subdivision 7, is amended to read:

Subd. 7. **Deferred service pensions.** (a) A member of a defined benefit relief association is entitled to a deferred service pension if the member:

~~(1) has completed the lesser of either the minimum period of active service with the fire department specified in the bylaws or 20 years of active service with the fire department;~~

~~(2) has completed at least five years of active membership in the relief association; and~~

~~(3) separates from active service and membership and has completed the minimum service and membership requirements in subdivision 1.~~ The requirement that a member separate from active service and membership is waived for persons who have discontinued their volunteer firefighter duties and who are employed on a full-time basis under section 424A.015, subdivision 1.

(b) The deferred service pension is payable when the former member reaches at least age 50, or at least the minimum age specified in the bylaws governing the relief association if that age is greater than age 50, and when the former member makes a valid written application.

(c) A defined benefit relief association that provides a lump-sum service pension governed by subdivision 3 may, when its governing bylaws so provide, pay interest on the deferred lump-sum service pension during the period of deferral. If provided for in the bylaws, interest must be paid in one of the following manners:

(1) at the investment performance rate actually earned on that portion of the assets if the deferred benefit amount is invested by the relief association in a separate account established and maintained by the relief association;

(2) at the investment performance rate actually earned on that portion of the assets if the deferred benefit amount is invested in a separate investment vehicle held by the relief association; or

(3) at an interest rate of up to five percent, compounded annually, as set by the board of ~~directors and approved as provided in subdivision 10~~ trustees.

(d) Any change in the interest rate set by the board of directors under paragraph (c), clause (3), must be ratified by the governing body of the municipality served by the fire department to which the relief association is directly associated, or by the independent nonprofit firefighting corporation, as applicable.

~~(d)~~ (e) Interest under paragraph (c), clause (3), is payable beginning on the January 1 next following the date on which the municipality has approved the deferred service pension interest rate established as set by the board of trustees was ratified by the governing body of the municipality served by the fire department to which the relief association is directly associated, or by the independent nonprofit firefighting corporation, as applicable.

~~(e)~~ (f) Unless the bylaws of a relief association that has elected to pay interest or additional investment performance on deferred lump-sum service pensions under paragraph (c) specifies a different interest or additional investment performance method, including the interest or additional investment performance period starting date and ending date, the interest or additional investment performance on a deferred service pension is creditable as follows:

(1) for a relief association that has elected to pay interest or additional investment performance under paragraph (c), clause (1) or (3), beginning on the first day of the month next following the date that on which the member separates from active service and membership and ending on the ~~accounting date~~ last day of the month immediately before the month in which the deferred member commences receipt of the deferred service pension; or

(2) for a relief association that has elected to pay interest or additional investment performance under paragraph (c), clause (2), beginning on the date that the member separates from active service and membership and ending on the date that the separate investment vehicle is valued immediately before the date on which the deferred member commences receipt of the deferred service pension.

~~(f)~~ (g) For a deferred service pension that is transferred to a separate account established and maintained by the relief association or separate investment vehicle held by the relief association, the deferred member bears the full investment risk subsequent to transfer and in calculating the accrued liability of the volunteer firefighters relief association that pays a lump-sum service pension, the accrued liability for deferred service pensions is equal to the separate relief association account balance or the fair market value of the separate investment vehicle held by the relief association.

~~(g)~~ (h) The deferred service pension is governed by and must be calculated under the general statute, special law, relief association articles of incorporation, and relief association bylaw provisions applicable on the date on which the member separated from active service with the fire department and active membership in the relief association.

**EFFECTIVE DATE.** This section is effective January 1, 2014, with respect to the amendments to paragraphs (c), (d), and (e), and is effective retroactively from January 1, 2013, with respect to the amendments to paragraph (f).

Sec. 10. Minnesota Statutes 2012, section 424A.10, subdivision 1, is amended to read:

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

(1) "qualified recipient" means an individual who receives a lump-sum distribution of pension or retirement benefits from a volunteer firefighters' relief association or from the voluntary statewide lump-sum volunteer firefighter retirement plan for service that the individual has performed as a volunteer firefighter;

(2) "survivor of a deceased active or deferred volunteer firefighter" means the surviving spouse of a deceased active or deferred volunteer firefighter ~~under section 424A.001, subdivision 6,~~ or, if none, the surviving child or children of a deceased active or deferred volunteer firefighter;

(3) "active volunteer firefighter" means a person who regularly renders fire suppression service for a municipal fire department or an independent nonprofit firefighting corporation, who has met the statutory and other requirements for relief association membership, and who is deemed by the relief association under law and its bylaws to be a fully qualified member of the relief association or from the voluntary statewide lump-sum volunteer firefighter retirement plan for at least one month; and

(4) "deferred volunteer firefighter" means a former active volunteer firefighter who terminated active firefighting service, has sufficient service credit from the applicable relief association or from the voluntary statewide lump-sum volunteer firefighter retirement plan to be entitled to a service pension under the bylaws of the relief association, but has not applied for or has not received the service pension.

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

Sec. 11. Minnesota Statutes 2012, section 424A.10, subdivision 2, is amended to read:

Subd. 2. **Payment of supplemental benefit.** (a) Upon the payment by a volunteer firefighters' relief association or by the voluntary statewide lump-sum volunteer firefighter retirement plan of a lump-sum distribution to a qualified recipient, the association must pay a supplemental benefit to the qualified recipient. Notwithstanding any law to the contrary, the relief association must pay the supplemental benefit out of its special fund and the voluntary

statewide lump-sum volunteer firefighter retirement plan must pay the supplemental benefit out of the voluntary statewide lump-sum volunteer firefighter retirement plan. This benefit is an amount equal to ten percent of the regular lump-sum distribution that is paid on the basis of the recipient's service as a volunteer firefighter. In no case may the amount of the supplemental benefit exceed \$1,000. A supplemental benefit under this paragraph may not be paid to a survivor of a deceased active or deferred volunteer firefighter in that capacity.

(b) Upon the payment by a relief association or the retirement plan of a lump-sum survivor benefit to a survivor of a deceased active volunteer firefighter or of a deceased deferred volunteer firefighter, the association ~~may~~ must pay a supplemental survivor benefit to the survivor of the deceased active or deferred volunteer firefighter from the special fund of the relief association ~~if its articles of incorporation or bylaws so provide~~ and the retirement plan ~~may~~ must pay a supplemental survivor benefit to the survivor of the deceased active or deferred volunteer firefighter from the retirement fund if chapter 353G so provides. The amount of the supplemental survivor benefit is 20 percent of the survivor benefit, but not to exceed \$2,000.

(c) An individual may receive a supplemental benefit under paragraph (a) or under paragraph (b), but not under both paragraphs with respect to one lump-sum volunteer firefighter benefit.

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

Sec. 12. **WHITE BEAR LAKE VOLUNTEER FIRE DEPARTMENT RELIEF ASSOCIATION; RETIREE DEATH BENEFIT.**

Notwithstanding any provision of Minnesota Statutes, section 424A.05, subdivision 3, clause (4), to the contrary, the White Bear Lake Volunteer Fire Department Relief Association may provide, if its bylaws so provide, for the payment of a \$2,000 lump sum death benefit from the special fund of the relief association to the estate of a person who was a member of the relief association, who rendered at least 20 years of firefighting service in the fire department and membership in the relief association, who retired before January 1, 2009, who received a monthly benefit service pension from the relief association for the month in which this section became effective, and who died after the effective date of the bylaw amendment that implements the authority under this section.

**EFFECTIVE DATE.** This section is effective the day after the governing body of the city of White Bear Lake and its chief clerical officer timely complete their compliance with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

Sec. 13. **REPEALER.**

Minnesota Statutes 2012, section 424A.10, subdivision 5, is repealed.

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

ARTICLE 7  
ONE PERSON AND SMALL GROUP RETIREMENT CHANGES

Section 1. Minnesota Statutes 2012, section 352.01, subdivision 2a, is amended to read:

Subd. 2a. **Included employees.** (a) "State employee" includes:

- (1) employees of the Minnesota Historical Society;
- (2) employees of the State Horticultural Society;
- (3) employees of the Minnesota Crop Improvement Association;



(4) employees of the adjutant general whose salaries are paid from federal funds and who are not covered by any federal civilian employees retirement system;

(5) employees of the Minnesota State Colleges and Universities who are employed under the university or college activities program;

(6) currently contributing employees covered by the system who are temporarily employed by the legislature during a legislative session or any currently contributing employee employed for any special service as defined in subdivision 2b, clause (8);

(7) employees of the legislature who are appointed without a limit on the duration of their employment and persons employed or designated by the legislature or by a legislative committee or commission or other competent authority to conduct a special inquiry, investigation, examination, or installation;

(8) trainees who are employed on a full-time established training program performing the duties of the classified position for which they will be eligible to receive immediate appointment at the completion of the training period;

(9) employees of the Minnesota Safety Council;

(10) any employees who are on authorized leave of absence from the Transit Operating Division of the former Metropolitan Transit Commission and who are employed by the labor organization which is the exclusive bargaining agent representing employees of the Transit Operating Division;

(11) employees of the Metropolitan Council, Metropolitan Parks and Open Space Commission, Metropolitan Sports Facilities Commission, or Metropolitan Mosquito Control Commission unless excluded under subdivision 2b or are covered by another public pension fund or plan under section 473.415, subdivision 3;

(12) judges of the Tax Court;

(13) personnel who were employed on June 30, 1992, by the University of Minnesota in the management, operation, or maintenance of its heating plant facilities, whose employment transfers to an employer assuming operation of the heating plant facilities, so long as the person is employed at the University of Minnesota heating plant by that employer or by its successor organization;

(14) personnel who are employed as seasonal employees in the classified or unclassified service;

(15) persons who are employed by the Department of Commerce as a peace officer in the Insurance Fraud Prevention Division under section 45.0135 who have attained the mandatory retirement age specified in section 43A.34, subdivision 4;

(16) employees of the University of Minnesota unless excluded under subdivision 2b, clause (3);

(17) employees of the Middle Management Association whose employment began after July 1, 2007, and to whom section 352.029 does not apply;

(18) employees of the Minnesota Government Engineers Council to whom section 352.029 does not apply; ~~and~~

(19) employees of the Minnesota Sports Facilities Authority; and

(20) employees of the Minnesota Association of Professional Employees.

(b) Employees specified in paragraph (a), clause (13), are included employees under paragraph (a) if employer and employee contributions are made in a timely manner in the amounts required by section 352.04. Employee contributions must be deducted from salary. Employer contributions are the sole obligation of the employer assuming operation of the University of Minnesota heating plant facilities or any successor organizations to that employer.

**EFFECTIVE DATE.** (a) This section is effective July 1, 2013.

(b) The membership inclusion under paragraph (a), clause (20), does not apply to a person who is receiving an age and service retirement annuity from the general state employees retirement plan of the Minnesota State Retirement System on June 30, 2013.

Sec. 2. Minnesota Statutes 2012, section 352.029, subdivision 1, is amended to read:

Subdivision 1. **Qualifications.** Unless already specifically included under section 352.01, subdivision 2a, or unless specifically excluded under section 352.01, subdivision 2b, a state employee on leave of absence without pay to provide service as an employee or officer of a labor organization that is an exclusive bargaining agent representing state employees may elect under subdivision 2 to be covered by the general state employees retirement plan of the Minnesota State Retirement System for service with the labor organization, subject to the limitations set forth in subdivisions 2a and 2b.

**EFFECTIVE DATE.** This section is effective July 1, 2013.

Sec. 3. Minnesota Statutes 2012, section 352.029, subdivision 2a, is amended to read:

Subd. 2a. **Limitations on salary for benefits and contributions.** (a) The covered salary for a labor organization employee who is a member under section 352.01, subdivision 2a, paragraph (a), or who qualifies for membership under this section or section 352.75 is limited to the lesser of:

- (1) the employee's actual salary as defined under section 352.01, subdivision 13; or
- (2) 75 percent of the salary of the governor as set under section 15A.082.

(b) The limited covered salary determined under this subdivision must be used in determining employee, employer, and employer additional contributions under section 352.04, subdivisions 2 and 3, and in determining retirement annuities and other benefits under this chapter and chapter 356.

**EFFECTIVE DATE.** This section is effective July 1, 2013.

Sec. 4. Minnesota Statutes 2012, section 352.029, subdivision 2b, is amended to read:

Subd. 2b. **Earning restrictions apply.** A retirement annuity is only payable, if the person has met any other applicable requirements, upon the termination of employment by the labor organization by the person who is a member under section 352.01, subdivision 2a, paragraph (a), or who elected coverage under subdivision 1 ~~of employment by the labor organization~~. The reemployed annuitant earnings limitation set forth in section 352.115, subdivision 10, applies in the event that the person who is a member under section 352.01, subdivision 2a, paragraph (a), or who elected coverage under subdivision 1 retires and is subsequently reemployed while an annuitant by the labor organization or by any other entity employing persons who are covered by the Minnesota State Retirement System by virtue of that employment.

**EFFECTIVE DATE.** This section is effective July 1, 2013.

Sec. 5. Minnesota Statutes 2012, section 352.029, subdivision 3, is amended to read:

Subd. 3. **Contributions.** The employee and employer contributions required by section 352.04, or by section 352.92 for employees covered by section 352.91, are the obligation of the employee who is a member under section 352.01, subdivision 2a, paragraph (a), or who chooses coverage under this section. However, the employing labor organization may pay the employer contributions. Contributions made by the employee must be made by salary deduction. The employing labor organization shall pay all contributions to the system as required by section 352.04, or by section 352.92 for employees covered by section 352.91.

**EFFECTIVE DATE.** This section is effective July 1, 2013.

Sec. 6. Minnesota Statutes 2012, section 352.029, subdivision 5, is amended to read:

Subd. 5. **Board membership excluded.** Employees of a labor organization who become members of the system under section 352.01, subdivision 2a, paragraph (a), or under this section are not eligible for election to the board of directors.

**EFFECTIVE DATE.** This section is effective July 1, 2013.

Sec. 7. **[356.408] TERMINATION OF SURVIVOR DESIGNATION.**

Subdivision 1. **Authorization to terminate optional annuity form.** A public pension plan retired member receiving a joint and survivor retirement annuity or a person receiving a joint and survivor disability benefit from a plan listed in section 356.30, subdivision 3, and the designated survivor of that person may mutually agree to terminate the survivor designation by filing a termination statement on a form and in the manner specified by the chief administrative officer of the applicable public pension plan. Upon filing a valid termination statement accepted by the chief administrative officer, the rights of the designated survivor to receive a benefit upon death of the plan retired or disabled annuitant are terminated, and the retired or disabled annuitant must receive a normal single-life annuity.

Subd. 2. **Revised annuity form.** The replacement single life annuity must be actuarially equivalent to the joint and survivor annuity as of the first day of the month following acceptance of the valid termination statement by the chief administrative officer and payment of this revised prospective annuity begins on that same date.

Subd. 3. **Application.** This section does not apply if the designated survivor is the spouse or former spouse of the plan member.

Subd. 4. **Termination statement form requirements.** The annuity form termination statements must be in written form and must be notarized. Before accepting any signed form or forms, the chief administrative officer of the applicable pension plan must offer counseling to the retired or disabled annuitant and the designated survivor regarding the implications of the annuity form waiver. The forms must indicate that this counseling has been offered and either has been completed or has been waived by the retired or disabled annuitant and the designated survivor.

Subd. 5. **Prohibition against further annuity form revisions.** No retired or disabled annuitant who waives the annuity form under this section may further revise the annuity form at any later date.

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

Sec. 8. Minnesota Statutes 2012, section 356.48, subdivision 1, is amended to read:

Subdivision 1. **Covered plans.** This section applies to the following retirement plans:

(1) the general state employees retirement plan of the Minnesota State Retirement System established under chapter 352;

(2) the correctional state employees retirement plan of the Minnesota State Retirement System established under chapter 352;

(3) the State Patrol retirement plan established under chapter 352B;

(4) the unclassified state employees retirement program of the Minnesota State Retirement System established under chapter 352D;

(5) the general employee retirement plan of the Public Employees Retirement Association established under chapter 353;

(6) the public employees police and fire retirement plan established under chapter 353;

(7) the local government correctional employees retirement plan of the Public Employees Retirement Association established under chapter 353E;

(8) the Teachers Retirement Association established under chapter 354; ~~and~~

(9) the St. Paul Teachers Retirement Fund Association established under chapter 354A; and

~~(9)~~ (10) the uniform judicial retirement plan established under chapter 490.

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

**Sec. 9. MSRS-GENERAL RETIREMENT ELIGIBILITY CLARIFICATION; SERVICE CREDIT PURCHASE IN CERTAIN INSTANCES.**

(a) An eligible person described in paragraph (b) is entitled to purchase prior uncredited service credit under paragraph (c) and, if the service credit purchase is made, to have the effective start date for active retirement plan membership of June 30, 1989, and to retire under Minnesota Statutes, section 352.116, subdivision 1.

(b) An eligible person is a person who:

(1) was born on July 17, 1964;

(2) was initially employed by the state of Minnesota as a temporary status laborer general on June 19, 1989;

(3) became a seasonal status laborer general on August 30, 1989;

(4) became an unlimited status laborer general on December 12, 1990;

(5) has received annual statements from the Minnesota State Retirement System indicating eligibility for a retirement benefit under Minnesota Statutes, section 352.116, subdivision 1, paragraph (b), as of September 1, 2012, including the June 30, 2012, annual statement;

(6) attended a Minnesota State Retirement System preretirement class in March 2012 and was individually informed by a Minnesota State Retirement System employee of the person's retirement eligibility under Minnesota Statutes, section 352.116, subdivision 1, paragraph (b); and

(7) received a letter from the Minnesota State Retirement System on August 16, 2012, revising the start date for general state employees retirement plan allowable service credit from June 19, 1989, to September 27, 1989, and indicating consequent inapplicability of Minnesota Statutes, section 352.116, subdivision 1.

(c) An eligible person may purchase allowable service credit in the general state employees retirement plan of the Minnesota State Retirement System for the period June 30, 1989, by paying an amount equal to 7.63 percent of salary earned after June 18, 1989, to June 30, 1989, and to 8.85 percent of salary earned after June 30, 1989, to September 27, 1989, plus 8.5 percent compound interest on the total equivalent employee and employer contribution amounts from the date on which the contribution would have been deducted or paid if the person had been a member of the general state employees retirement plan of the Minnesota State Retirement System at the time to the date that this portion of the prior service credit purchase payment is made. The payment must be made in a lump sum.

(d) An eligible person who purchased allowable service credit under paragraph (c) has a June 30, 1989, start date for allowable service credited by the general state employees retirement plan of the Minnesota State Retirement System and is eligible for a retirement annuity under Minnesota Statutes, section 352.116, subdivision 1.

(e) Authority to purchase prior uncredited allowable service credit under this section expires on August 1, 2013.

**EFFECTIVE DATE.** This section is effective July 1, 2013.

Sec. 10. **PERA-GENERAL; PURCHASE OF CERTAIN PRIOR NORTHFIELD SERVICE CREDIT.**

(a) Notwithstanding any provision of Minnesota Statutes, chapter 353, to the contrary, an eligible person described in paragraph (b) is entitled to repay any prior refund as provided in paragraph (c) and is entitled to purchase service credit as provided in paragraph (d).

(b) An eligible person is a person who:

(1) was born on July 10, 1942;

(2) was employed by the city of Northfield on October 5, 2005;

(3) became a member of the general employees retirement plan of the Public Employees Retirement Association on April 5, 2009;

(4) was employed by the transit division of the city of Northfield until June 29, 2012; and

(5) was eligible for PERA general employees retirement plan membership on October 5, 2005, but was not reported to PERA for membership in a timely fashion.

(c) The eligible person may repay to the general employees retirement fund of the Public Employees Retirement Association any refund of accumulated member contributions and interest previously received, plus interest at an annual rate of 8.5 percent compounded annually from the date on which the refund was paid until the date on which the refund is repaid.

(d) If the eligible person repays all prior refunds under paragraph (c), the eligible person may purchase 43 months of allowable service credit and salary credit from the general employees retirement plan of the Public Employees Retirement Association by making a payment equal to the unpaid member contributions during the period October 5, 2005, until April 5, 2009, plus 8.5 percent interest from the date that each contribution would have been transmitted to the Public Employees Retirement Association until the date that the payment under this paragraph is made.

(e) If the eligible person makes the payment required under paragraph (c) in a timely fashion, within 30 days following notification of that fact by the executive director of the Public Employees Retirement Association, the city of Northfield shall pay the balance of the prior service credit purchase payment amount required under Minnesota Statutes, section 356.551. If the payment by the city of Northfield is not paid in a timely fashion, the executive director shall collect the unpaid amount as provided under Minnesota Statutes, section 353.28, subdivision 6.

(f) Authority to repay a refund and to make a prior service credit purchase payment under this section expires on December 31, 2014.

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

**Sec. 11. PERA-GENERAL; SERVICE CREDIT PURCHASE FOR OMITTED CONTRIBUTION PERIOD; WRIGHT COUNTY HIGHWAY DEPARTMENT EMPLOYEE.**

(a) Notwithstanding any provision of law to the contrary, an eligible person described in paragraph (b) is entitled to purchase from the general employees retirement plan of the Public Employees Retirement Association allowable service credit under Minnesota Statutes, section 353.01, subdivision 16, for the period of omitted member deductions described in paragraph (c).

(b) An eligible person is a person who:

(1) was born on March 19, 1959;

(2) is a current employee of the Wright County Highway Department, covered by the general employees retirement plan of the Public Employees Retirement Association;

(3) shifted from temporary to full-time employment with the highway department in April 2007; and

(4) was not reported by Wright County for retirement coverage by and membership in the general employees retirement plan of the Public Employees Retirement Association until March 2012.

(c) The period of uncredited service authorized for purchase is the period from April 2007 through December 2008, during which no member contributions for the general employees retirement plan of the Public Employees Retirement Association were deducted from the eligible person's salary by Wright County, and which could not be corrected through the Public Employees Retirement Association omitted contribution provision due to a three-year time limit in the provision.

(d) Minnesota Statutes, section 356.551, applies to this purchase, except that the purchase payment amount payable by the eligible person is the employee contributions that should have been made, plus 8.5 percent interest compounded annually from the date each deduction should have occurred, until the date paid to the Public Employees Retirement Association. The purchase payment amount payable by Wright County is the balance of the full actuarial value prior service credit purchase payment amount as of the first day of the month next following the receipt of the eligible person's payment that is remaining after deducting the purchase payment amount payable by the eligible person.

(e) The payment amount due from the county under paragraph (d) must be made on or before the 15th of the month next following the receipt of the eligible person's payment under paragraph (d). If the county purchase payment amount is not paid in a timely fashion, the amount due accrues compound monthly interest at the rate of 0.71 percent per month from the first day of the month next following the receipt of the eligible person's payment until the county purchase payment amount is received by the Public Employees Retirement Association. If the county purchase payment amount is not paid to the Public Employees Retirement Association 90 days after the receipt of the eligible person's payment, the executive director shall notify the commissioner of management and budget and the commissioner of revenue of that unpaid obligation and the unpaid obligation must be deducted from any state aid otherwise payable to the county, plus interest.

(f) The eligible person must provide the executive director of the Public Employees Retirement Association with any relevant requested information pertaining to this service credit purchase.

(g) Authority to make a service credit purchase under this section expires on June 30, 2014, or upon the termination from public employment under Minnesota Statutes, section 353.01, subdivision 11a, whichever occurs earlier.

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

ARTICLE 8  
MISCELLANEOUS PROVISIONS

Section 1. **[6.496] VOLUNTEER FIREFIGHTER RELIEF ASSOCIATIONS; STATE BOARD OF INVESTMENT OPTIONS.**

(a) Annually, on or before March 1, the state auditor shall provide all volunteer firefighter relief associations with recent and historic investment performance results of the various accounts of the Minnesota supplemental investment fund and information on the process and procedures for a volunteer firefighter relief association to utilize the Minnesota supplemental investment fund as an investment option.

(b) Annually, on or before March 1, the state auditor shall provide all volunteer firefighter relief associations with basic information on the voluntary statewide lump-sum volunteer firefighter retirement plan, that a fire department has the option annually to join the retirement plan, and that, if the fire department joins the retirement plan, future asset investments would be the responsibility of the State Board of Investment.

(c) The information provision required by paragraphs (a) and (b) may be provided in an electronic or other format if the state auditor determines that the format is reasonably accessible by a preponderance of volunteer firefighter relief associations.

**EFFECTIVE DATE.** This section is effective July 1, 2013.

Sec. 2. Minnesota Statutes 2012, section 352.03, subdivision 4, is amended to read:

Subd. 4. **Duties and powers of board of directors.** (a) The board shall:

(1) elect a chair;

(2) appoint an executive director;

(3) establish rules to administer this chapter and chapters 3A, 352B, 352C, 352D, and 490 and transact the business of the system, subject to the limitations of law;

(4) consider and dispose of, or take any other action the board of directors deems appropriate concerning, denials of applications for annuities or disability benefits under this chapter, chapter 3A, 352B, 352C, 352D, or 490, and complaints of employees and others pertaining to the retirement of employees and the operation of the system;

(5) oversee the administration of the deferred compensation plan established in section 352.965; ~~and~~

(6) oversee the administration of the health care savings plan established in section ~~352.98~~; and

(7) approve early retirement and optional annuity factors, subject to review by the actuary retained by the Legislative Commission on Pensions and Retirement; establish the schedule for implementation of the approved factors; and notify the Legislative Commission on Pensions and Retirement of the implementation schedule.

(b) The board shall advise the director on any matters relating to the system and carrying out functions and purposes of this chapter. The board's advice shall control.

Sec. 3. Minnesota Statutes 2012, section 353.03, subdivision 3, is amended to read:

Subd. 3. **Duties and powers.** (a) The board shall:

- (1) elect a president and vice-president;
- (2) approve the staffing complement, as recommended by the executive director, necessary to administer the fund;
- (3) adopt bylaws for its own government and for the management of the fund consistent with the laws of the state and may modify them at pleasure;
- (4) adopt, alter, and enforce reasonable rules consistent with the laws of the state and the terms of the applicable benefit plans for the administration and management of the fund, for the payment and collection of payments from members and for the payment of withdrawals and benefits, and that are necessary in order to comply with the applicable federal Internal Revenue Service and Department of Labor requirements;
- (5) pass upon and allow or disallow all applications for membership in the fund and allow or disallow claims for withdrawals, pensions, or benefits payable from the fund;
- (6) adopt an appropriate mortality table based on experience of the fund as recommended by the association actuary and approved under section 356.215, subdivision 18, with interest set at the rate specified in section 356.215, subdivision 8;
- (7) provide for the payment out of the fund of the cost of administering this chapter, of all necessary expenses for the administration of the fund and of all claims for withdrawals, pensions, or benefits allowed; ~~and~~
- (8) approve or disapprove all recommendations and actions of the executive director made subject to its approval or disapproval by subdivision 3a; ~~and~~
- (9) approve early retirement and optional annuity factors, subject to review by the actuary retained by the Legislative Commission on Pensions and Retirement; establish the schedule for implementation of the approved factors; and notify the Legislative Commission on Pensions and Retirement of the implementation schedule.

(b) In passing upon all applications and claims, the board may summon, swear, hear, and examine witnesses and, in the case of claims for disability benefits, may require the claimant to submit to a medical examination by a physician of the board's choice, at the expense of the fund, as a condition precedent to the passing on the claim, and, in the case of all applications and claims, may conduct investigations necessary to determine their validity and merit.

(c) The board may continue to authorize the sale of life insurance to members under the insurance program in effect on January 1, 1985, but must not change that program without the approval of the commissioner of management and budget. The association shall not receive any financial benefit from the life insurance program beyond the amount necessary to reimburse the association for costs incurred in administering the program. The association shall not engage directly or indirectly in any other activity involving the sale or promotion of goods or services, or both, whether to members or nonmembers.

(d) The board shall establish procedures governing reimbursement of expenses to board members. These procedures must define the types of activities and expenses that qualify for reimbursement, must provide that all out-of-state travel be authorized by the board, and must provide for the independent verification of claims for expense reimbursement. The procedures must comply with the applicable rules and policies of the Department of Management and Budget and the Department of Administration.



(e) The board may purchase fiduciary liability insurance and official bonds for the officers and members of the board of trustees and employees of the association and may purchase property insurance or may establish a self-insurance risk reserve including, but not limited to, data processing insurance and "extra-expense" coverage.

Sec. 4. Minnesota Statutes 2012, section 354.07, subdivision 1, is amended to read:

Subdivision 1. **General powers of board.** The board has the power to frame bylaws for its own government and for the management of the association not inconsistent with the laws of the state and to modify them at its pleasure; to adopt, alter, and enforce reasonable rules not inconsistent with the laws of the state for the administration and management of the association, for the payment and collection of payments from members, and for the payment of withdrawals and benefits; to pass upon and allow or disallow applications for membership in the association and for credit for teaching service; to pass upon and allow or disallow claims for withdrawals, pensions, or benefits payable by the fund; to adopt an appropriate mortality table based on experience of the association as recommended by the actuary retained under section 356.214 and using the applicable postretirement interest assumption specified in section 356.215, subdivision 8; to approve early retirement and optional annuity factors, subject to review by the actuary retained by the Legislative Commission on Pensions and Retirement; to establish the schedule for implementation of the approved factors; to notify the Legislative Commission on Pensions and Retirement of the implementation schedule; and to provide for the payment out of the fund of necessary expenses for the administration by the association and of claims for withdrawals, pensions, or benefits allowed.

Sec. 5. Minnesota Statutes 2012, section 354A.021, subdivision 2, is amended to read:

Subd. 2. **Organization; board duties.** (a) Each teachers retirement fund association shall be organized and governed pursuant to this chapter and chapter 317A, except that each association shall be deemed to be a nonprofit corporation without coming within the definition in section 317A.011, subdivision 6. Any corporate action of any teachers retirement fund association taken prior to April 9, 1976, shall be deemed to be valid if it conformed with Minnesota Statutes 1976, chapter 317 or 354A, or Revised Laws 1905, chapter 58, as amended through April 9, 1976.

(b) In addition to the other powers and duties of a board of trustees of a first class city teacher retirement fund association, the board shall approve early retirement and optional annuity factors, subject to review by the actuary retained by the Legislative Commission on Pensions and Retirement; shall establish the schedule for implementation of the approved factors; and shall notify the Legislative Commission on Pensions and Retirement of the implementation schedule.

## ARTICLE 9 STATE PATROL RETIREMENT PLAN FINANCIAL SOLVENCY MEASURES

Section 1. Minnesota Statutes 2012, section 352B.011, subdivision 4, is amended to read:

Subd. 4. **Average monthly salary.** (a) Subject to the limitations of section 356.611, "average monthly salary" means the average of the highest monthly salaries for five years of service as a member upon which contributions were deducted from pay under section 352B.02, or upon which appropriate contributions or payments were made to the fund to receive allowable service and salary credit as specified under the applicable law. Average monthly salary must be based upon all allowable service if this service is less than five years.

(b) The salary used for the calculation of "average monthly salary" means the salary of the member as defined in section 352.01, subdivision 13. "Average monthly salary" includes the salary of the member during the period of covered employment rendered after reaching the allowable service credit limit of section 352B.08, subdivision 2, paragraph (b). The salary used for the calculation of "average monthly salary" does not include any lump-sum annual leave payments and overtime payments made at the time of separation from state service, any amounts of severance pay, or any reduced salary paid during the period the person is entitled to workers' compensation benefit payments for temporary disability.

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

Sec. 2. Minnesota Statutes 2012, section 352B.02, subdivision 1a, is amended to read:

Subd. 1a. **Member contributions.** (a) The member contribution is the following percentage of the member's salary:

- |  |                                      |
|--|--------------------------------------|
| (1) before the first day of the first pay period beginning after July 1, <del>2011</del> <u>2014</u>                                   | <del>10.40</del> <u>12.4</u> percent |
| (2) on or after the first day of the first pay period beginning after July 1, <del>2011</del> <u>2014</u> ,<br>to June 30, <u>2016</u> | <del>12.40</del> <u>13.4</u> percent |
| (3) after June 30, <u>2016</u>   | <u>14.4</u> percent                  |

(b) These contributions must be made by deduction from salary as provided in section 352.04, subdivision 4.

**EFFECTIVE DATE.** This section is effective July 1, 2013.

Sec. 3. Minnesota Statutes 2012, section 352B.02, subdivision 1c, is amended to read:

Subd. 1c. **Employer contributions.** (a) In addition to member contributions, department heads shall pay a sum equal to the specified percentage of the salary upon which deductions were made, which constitutes the employer contribution to the fund as follows:

- |  |                                      |
|--|--------------------------------------|
| (1) before the first day of the first pay period beginning after July 1, <del>2011</del> <u>2014</u>                                   | <del>15.60</del> <u>18.6</u> percent |
| (2) on or after the first day of the first pay period beginning after July 1, <del>2011</del> <u>2014</u> ,<br>to June 30, <u>2016</u> | <del>18.60</del> <u>20.1</u> percent |
| (3) after June 30, <u>2016</u>   | <u>21.6</u> percent                  |

(b) Department contributions must be paid out of money appropriated to departments for this purpose.

**EFFECTIVE DATE.** This section is effective July 1, 2013.

Sec. 4. Minnesota Statutes 2012, section 352B.08, subdivision 1, is amended to read:

Subdivision 1. **Eligibility; when to apply; accrual.** (a) Every member who is credited with three or more years of allowable service if first employed before July 1, ~~2010~~ 2013, or with at least ~~five~~ ten years of allowable service if first employed after June 30, ~~2010~~ 2013, is entitled to separate from state service and upon becoming 50 years old, is entitled to receive a life annuity, upon separation from state service.

(b) Members must apply for an annuity in a form and manner prescribed by the executive director.

(c) No application may be made more than 90 days before the date the member is eligible to retire by reason of both age and service requirements.

(d) An annuity begins to accrue no earlier than 180 days before the date the application is filed with the executive director.

**EFFECTIVE DATE.** This section is effective July 1, 2013.

Sec. 5. Minnesota Statutes 2012, section 352B.08, subdivision 2, is amended to read:

Subd. 2. **Normal retirement annuity.** (a) The annuity must be paid in monthly installments. The annuity shall be equal to the amount determined by multiplying the average monthly salary of the member by the percent specified in section 356.315, subdivision 6, for each year of allowable service and pro-rata prorated for additional completed months of allowable service, unless restricted under paragraph (b).

(b) Allowable service in excess of 33 years must not be used in computing the annuity. This restriction does not apply to any member who has at least 28 years of allowable service before July 1, 2013.

(c) When the annuity commences, any member contributions attributable to allowable service not used to compute the annuity due to the restrictions in paragraph (b) must be refunded using procedures specified in section 352B.11, subdivision 1.

**EFFECTIVE DATE.** This section is effective July 1, 2013.

Sec. 6. Minnesota Statutes 2012, section 352B.08, subdivision 2a, is amended to read:

Subd. 2a. **Early retirement.** Any member who has become at least 50 years old and who has at least three years of allowable service if first employed before July 1, ~~2010~~ 2013, or who has at least ~~five~~ ten years of allowable service if first employed after June 30, ~~2010~~ 2013, is entitled upon application to a reduced retirement annuity equal to the annuity calculated under subdivision 2, reduced by one-tenth of one percent for each month that the member is under age 55 at the time of retirement, if first employed the effective date of retirement is before July 1, 2010, or reduced by two-tenths of one percent 2015. If the effective date of retirement is after June 30, 2015, the reduction is 0.34 percent for each month that the member is under age 55 at the time of retirement if first employed after June 30, 2010.

**EFFECTIVE DATE.** This section is effective July 1, 2013.

Sec. 7. Minnesota Statutes 2012, section 352B.10, subdivision 5, is amended to read:

Subd. 5. **Optional annuity.** A disablitant may elect, in lieu of spousal survivorship coverage under section 352B.11, ~~subdivisions subdivision 2b and 2e,~~ the normal disability benefit or an optional annuity as provided in section 352B.08, subdivision 3. The choice of an optional annuity must be made in writing, on a form prescribed by the executive director, and must be made before the commencement of the payment of the disability benefit, or within 90 days before reaching age 55 or before reaching the five-year anniversary of the effective date of the disability benefit, whichever is later. The optional annuity is effective on the date on which the disability benefit begins to accrue, or the month following the attainment of age 55 or following the five-year anniversary of the effective date of the disability benefit, whichever is later.

Sec. 8. Minnesota Statutes 2012, section 352B.11, subdivision 1, is amended to read:

Subdivision 1. **Refund of payments.** (a) A member who has not received other benefits under this chapter is entitled to a refund of payments made by salary deduction, plus interest, if the member is separated, either voluntarily or involuntarily, from the state service that entitled the member to membership.

(b) A refund under section 352B.08, subdivision 2, paragraph (c), does not result in a forfeiture of salary credit for the allowable service credit covered by the refund.

~~(b)~~ (c) In the event of the member's death, if there are no survivor benefits payable under this chapter, a refund plus interest is payable to the last designated beneficiary on a form filed with the director before death, or if no designation is filed, is payable to the member's estate. Interest under this subdivision must be calculated as provided in section 352.22, subdivision 2. To receive a refund, the application must be made on a form prescribed by the executive director.

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

Sec. 9. Minnesota Statutes 2012, section 352B.11, subdivision 2b, is amended to read:

Subd. 2b. **Surviving spouse benefit eligibility.** (a) If an active member with three or more years of allowable service if first employed before July 1, ~~2010~~ 2013, or with at least five years of allowable service if first employed after June 30, ~~2010~~ 2013, dies before attaining age 55, the surviving spouse is entitled to ~~the a benefit specified in subdivision 2c, paragraph (b)~~ for life equal to 50 percent of the average monthly salary of the deceased member. On the first of the month next following the date on which the deceased member would have attained exact age 55, in lieu of continued receipt of the prior benefit, the surviving spouse is eligible to commence receipt of the second half of a 100 percent joint and survivor annuity if this provides a larger benefit. The joint and survivor annuity must be computed assuming the exact age 55 for the deceased member and the age of the surviving spouse on the date of death.

(b) If an active member with less than three years of allowable service if first employed before July 1, ~~2010~~ 2013, or with fewer than five years of allowable service if first employed after June 30, ~~2010~~ 2013, dies at any age, the surviving spouse is entitled to receive ~~the a benefit specified in subdivision 2c, paragraph (c)~~ for life equal to 50 percent of the average monthly salary of the deceased member.

(c) If an active member with three or more years of allowable service if first employed before July 1, ~~2010~~ 2013, or with at least five years of allowable service if first employed after June 30, ~~2010~~ 2013, dies on or after attaining exact age 55, the surviving spouse is entitled to receive ~~the benefits specified in subdivision 2c, paragraph (d)~~ a benefit for life equal to 50 percent of the average monthly salary of the deceased member, or the second half of a 100 percent joint and survivor annuity, whichever is larger. The joint and survivor annuity must be computed using the age of the deceased member on the date of death and the age of the surviving spouse on that same date.

(d) If a disabiltant dies while receiving a disability benefit under section 352B.10 or before the benefit under that section commenced, and an optional annuity was not elected under section 352B.10, subdivision 5, the surviving spouse is entitled to receive ~~the a benefit specified in subdivision 2c, paragraph (b)~~ for life equal to 50 percent of the average monthly salary of the deceased member. On the first of the month next following the date on which the deceased member would have attained exact age 55, in lieu of continued receipt of the prior benefit, the surviving spouse is eligible to commence receipt of the second half of a 100 percent joint and survivor annuity if this provides a larger benefit. The joint and survivor annuity must be computed assuming the exact age 55 for the deceased member and the age of the surviving spouse on the date of death.

(e) If a former member with three or more years of allowable service if first employed before July 1, ~~2010~~ 2013, or with at least five years of allowable service if first employed after June 30, ~~2010~~ 2013, who terminated from service and has not received a refund or commenced receipt of any other benefit provided by this chapter, dies, the surviving spouse is entitled to receive ~~the as a benefit specified in subdivision 2c, paragraph (e)~~ the second half of a 100 percent joint and survivor annuity, commencing on the first of the month next following the deceased member's date of death, or the first of the month next following the date on which the deceased member would have attained age 55, whichever is later. The joint and survivor annuity must be computed using the age of the deceased member on the date of death and the age of the surviving spouse on that same date.

(f) If a former member with less than three years of allowable service if first employed before July 1, ~~2010~~ 2013, or with fewer than five years of allowable service if first employed after June 30, ~~2010~~ 2013, who terminated from service and has not received a refund or commenced receipt of any other benefit, if applicable, provided by this chapter, dies, the surviving spouse ~~is entitled to receive the refund specified in subdivision 2c, paragraph (f) or, if none, the children or, if none, the deceased member's estate is entitled to a refund of the employee contributions plus interest computed as specified in subdivision 1.~~

**EFFECTIVE DATE.** This section is effective July 1, 2013.

Sec. 10. Minnesota Statutes 2012, section 356.415, subdivision 1e, is amended to read:

Subd. 1e. **Annual postretirement adjustments; State Patrol retirement plan.** (a) Retirement annuity, disability benefit, or survivor benefit recipients of the State Patrol retirement plan are entitled to a postretirement adjustment annually on January 1, as follows:

(1) a postretirement increase of ~~4.5~~ one percent must be applied each year, effective on January 1, to the monthly annuity or benefit of each annuitant or benefit recipient who has been receiving an annuity or a benefit for at least 18 full months before the January 1 increase; and

(2) for each annuitant or benefit recipient who has been receiving an annuity or a benefit for at least six full months, an annual postretirement increase of 1/12 of ~~4.5~~ one percent for each month that the person has been receiving an annuity or benefit must be applied, effective January 1, following the calendar year in which the person has been retired for at least six months, but has been retired for less than 18 months.

(b) The increases provided by this subdivision commence on January 1, ~~2014~~ 2014. Increases under ~~this subdivision paragraph (a)~~ for the State Patrol retirement plan terminate on December 31 of the calendar year in which the actuarial valuation prepared by the approved actuary under sections 356.214 and 356.215 and the standards for actuarial work promulgated by the Legislative Commission on Pensions and Retirement indicates that the market value of assets of the retirement plan equals or exceeds ~~90~~ 85 percent of the actuarial accrued liability of the retirement plan and increases under ~~subdivision 1 paragraph (c)~~ recommence after that date.

(c) Retirement annuity, disability benefit, or survivor benefit recipients of the State Patrol retirement plan are entitled to a postretirement adjustment annually on January 1, as follows:

(1) a postretirement increase of 1.5 percent must be applied each year, effective on January 1, to the monthly annuity or benefit of each annuitant or benefit recipient who has been receiving an annuity or a benefit for at least 18 full months before the January 1 increase; and

(2) for each annuitant or benefit recipient who has been receiving an annuity or a benefit for at least six full months, an annual postretirement increase of 1/12 of 1.5 percent for each month that the person has been receiving an annuity or benefit must be applied, effective January 1, following the calendar year in which the person has been retired for at least six months, but has been retired for less than 18 months.

(d) Increases under paragraph (c) for the State Patrol retirement plan terminate on December 31 of the calendar year in which the actuarial valuation prepared by the approved actuary under sections 356.214 and 356.215 and the standards for actuarial work adopted by the Legislative Commission on Pensions and Retirement indicates that the market value of assets of the retirement plan equals or exceeds 90 percent of the actuarial accrued liability of the retirement plan and increases under subdivision 1 recommence after that date.

~~(e)~~ (e) An increase in annuity or benefit payments under this subdivision must be made automatically unless written notice is filed by the annuitant or benefit recipient with the executive director of the applicable covered retirement plan requesting that the increase not be made.

**EFFECTIVE DATE.** This section is effective July 1, 2013.

Sec. 11. **REPEALER.**

Minnesota Statutes 2012, section 352B.11, subdivision 2c, is repealed.

**EFFECTIVE DATE.** This section is effective July 1, 2013.

ARTICLE 10  
PERA PLANS SALARY DEFINITION

Section 1. Minnesota Statutes 2012, section 353.01, subdivision 10, is amended to read:

Subd. 10. **Salary.** (a) Subject to the limitations of section 356.611, "salary" means:

(1) the wages or periodic compensation of payable to a public employee; by the employing governmental subdivision before;

(i) employee retirement deductions that are designated as picked-up contributions under section 356.62;

(ii) any employee-elected deductions for deferred compensation, supplemental retirement plans, or other voluntary salary reduction programs, and also means "wages" and includes net income from fees that would have otherwise been available as a cash payment to the employee; and

(iii) employee deductions for contributions to a supplemental plan or to a governmental trust established under section 356.24, subdivision 1, clause (7), to save for postretirement health care expenses, unless otherwise excluded under paragraph (b);

(2) for a public employee who is covered by a supplemental retirement plan under section 356.24, subdivision 1, clause (8), (9), ~~or (10), which require all plan contributions be made by or (12), the employer, the contribution contributions~~ to the applicable supplemental retirement plan when an agreement between the parties establishes that the ~~contribution contributions~~ will either result in a mandatory reduction of employees' wages through payroll withholdings, or be made in lieu of an amount that would otherwise be paid as wages; ~~and~~

(3) for a public employee who has prior service covered by a local police or firefighters relief association that has consolidated with the Public Employees Retirement Association or to which section 353.665 applies and who has elected coverage either under the public employees police and fire fund benefit plan under section 353A.08 following the consolidation or under section 353.665, subdivision 4, the rate of salary upon which member contributions to the special fund of the relief association were made prior to the effective date of the consolidation as specified by law and by bylaw provisions governing the relief association on the date of the initiation of the consolidation procedure and the actual periodic compensation of the public employee after the effective date of consolidation;

(4) a payment from a public employer through a grievance proceeding, settlement, or court order that is attached to a specific earnings period in which the employee's regular salary was not earned or paid to the member due to a suspension or a period of involuntary termination that is not a wrongful discharge under section 356.50; provided the amount is not less than the equivalent of the average of the hourly base salary rate in effect during the last six months of allowable service prior to the suspension or period of involuntary termination, plus any applicable increases awarded during the period that would have been paid under a collective bargaining agreement or personnel policy but for the suspension or involuntary termination, multiplied by the average number of regular hours for which the employee was compensated during the six months of allowable service prior to the suspension or period of involuntary termination, but not to exceed the compensation that the public employee would have earned if regularly employed during the applicable period;

(5) the amount paid to a member who is absent from employment by reason of personal, parental, or military leave of absence if equivalent to the hourly base salary rate in effect during the six months of allowable service, or portions thereof, prior to the leave, multiplied by the average number of regular hours for which the employee was compensated during the six months of allowable service prior to the applicable leave of absence;

(6) the amount paid to a member who is absent from employment by reason of an authorized medical leave of absence if specified in advance to be at least one-half but no more than equal to the earnings the member received, on which contributions were reported and allowable service credited during the six months immediately preceding the medical leave of absence; and

(7) for a public employee who receives performance or merit bonus payment under a written compensation plan, policy, or collective bargaining agreement in addition to regular salary or in lieu of regular salary increases, the compensation paid to the employee for attaining or exceeding performance goals, duties, or measures during a specified period of employment.

(b) Salary does not mean:

(1) ~~the~~ fees paid to district court reporters;

(2) unused annual leave, vacation, or sick leave payments, in the form of lump-sum or periodic payments;

(3) for the donor, payment to another person of the value of hours donated under a benevolent vacation, personal, or sick leave donation program;

(4) any form of severance payments, or retirement incentive payments;

(5) an allowance payment or per diem payments for or reimbursement of expenses;

(6) lump-sum settlements not attached to a specific earnings period, or;

(7) workers' compensation payments or disability insurance payments, including payments from employer self-insurance arrangements;

~~(2)~~ (8) employer-paid amounts used by an employee toward the cost of insurance coverage, employer-paid fringe benefits, flexible spending accounts, cafeteria plans, health care expense accounts, day care expenses, or any payments in lieu of any employer-paid group insurance coverage, including the difference between single and family rates that may be paid to a member with single coverage and certain amounts determined by the executive director to be ineligible;

(9) employer-paid fringe benefits, including, but not limited to:

(i) employer-paid premiums or supplemental contributions for employees for all types of insurance;

(ii) membership dues or fees for the use of fitness or recreational facilities;

(iii) incentive payments or cash awards relating to a wellness program;

(iv) the value of any nonmonetary benefits;

(v) any form of payment made in lieu of an employer-paid fringe benefit;

(vi) an employer-paid amount made to a deferred compensation or tax-sheltered annuity program; and

(vii) any amount paid by the employer as a supplement to salary, either as a lump-sum amount or a fixed or matching amount paid on a recurring basis, that is not available to the employee as cash;

~~(3)~~ (10) the amount equal to that which the employing governmental subdivision would otherwise pay toward single or family insurance coverage for a covered employee when, through a contract or agreement with some but not all employees, the employer:

(i) discontinues, or for new hires does not provide, payment toward the cost of the employee's selected insurance coverages under a group plan offered by the employer;

(ii) makes the employee solely responsible for all contributions toward the cost of the employee's selected insurance coverages under a group plan offered by the employer, including any amount the employer makes toward other employees' selected insurance coverages under a group plan offered by the employer; and

(iii) provides increased salary rates for employees who do not have any employer-paid group insurance coverages;

~~(4)~~ (11) except as provided in section 353.86 or 353.87, compensation of any kind paid to volunteer ambulance service personnel or volunteer firefighters, as defined in subdivision 35 or 36;

~~(5)~~ (12) the amount of compensation that exceeds the limitation provided in section 356.611; ~~and~~

~~(6)~~ (13) amounts paid by a federal or state grant for which the grant specifically prohibits grant proceeds from being used to make pension plan contributions, unless the contributions to the plan are made from sources other than the federal or state grant-; and

(14) bonus pay that is not performance or merit pay under paragraph (a), clause (6).

(c) Amounts, other than those provided under paragraph (a), clause (4), provided to an employee by the employer through a grievance proceeding, a court order, or a legal settlement are salary only if the settlement or court order is reviewed by the executive director and the amounts are determined by the executive director to be consistent with paragraph (a) and prior determinations.

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

ARTICLE 11  
PUBLIC EMPLOYEES POLICE AND FIRE  
RETIREMENT PLAN FINANCIAL SOLVENCY MEASURES

Section 1. Minnesota Statutes 2012, section 353.01, subdivision 17a, is amended to read:

Subd. 17a. **Average salary.** (a) "Average salary," for purposes of calculating a retirement annuity under section 353.29, subdivision 3, means an amount equivalent to the average of the highest salary of the member, police officer, or firefighter, whichever applies, upon which employee contributions were paid for any five successive years of allowable service, based on dates of salary periods as listed on salary deduction reports. "Average salary" includes the salary of the employee during the period of covered employment rendered after reaching the allowable service credit limit of section 353.651, subdivision 3, paragraph (b). Average salary must be based upon all allowable service if this service is less than five years.

(b) "Average salary" may not include any reduced salary paid during a period in which the employee is entitled to benefit payments from workers' compensation for temporary disability, unless the average salary is higher, including this period.

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



Sec. 2. Minnesota Statutes 2012, section 353.01, subdivision 41, is amended to read:

Subd. 41. **Duty disability.** "Duty disability," physical or psychological, means a condition that is expected to prevent a member, for a period of not less than 12 months, from performing the normal duties of the position held by a person who is a member of the public employees police and fire retirement plan, and that is the direct result of an injury incurred during, or a disease arising out of, the performance of ~~normal duties or the actual performance of less frequent inherently dangerous duties, either of which are specific to protecting the property and personal safety of others and that present inherent dangers~~ that are specific to the positions covered by the public employees police and fire retirement plan.

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

Sec. 3. Minnesota Statutes 2012, section 353.01, subdivision 47, is amended to read:

Subd. 47. **Vesting.** (a) "Vesting" means obtaining a nonforfeitable entitlement to an annuity or benefit from a retirement plan administered by the Public Employees Retirement Association by having credit for sufficient allowable service under paragraph (b) ~~or~~ (c), or (d), whichever applies.

(b) For purposes of qualifying for an annuity or benefit as a basic or coordinated plan member of the general employees retirement plan of the Public Employees Retirement Association:

(1) a public employee who first became a member of the association before July 1, 2010, is 100 percent vested when the person has accrued credit for not less than three years of allowable service as defined under subdivision 16; and

(2) a public employee who first becomes a member of the association after June 30, 2010, is 100 percent vested when the person has accrued credit for not less than five years of allowable service as defined under subdivision 16.

(c) For purposes of qualifying for an annuity or benefit as a member of the ~~police and fire plan or a member of the~~ local government correctional employees retirement plan:

(1) a public employee who first became a member of the association before July 1, 2010, is 100 percent vested when the person has accrued credit for not less than three years of allowable service as defined under subdivision 16; and

(2) a public employee who first becomes a member of the association after June 30, 2010, is vested at the following percentages when the person has accrued credited allowable service as defined under subdivision 16, as follows:

(i) 50 percent after five years;

(ii) 60 percent after six years;

(iii) 70 percent after seven years;

(iv) 80 percent after eight years;

(v) 90 percent after nine years; and

(vi) 100 percent after ten years.

(d) For purposes of qualifying for an annuity or benefit as a member of the public employees police and fire retirement plan:

(1) a public employee who first became a member of the association before July 1, 2010, is 100 percent vested when the person has accrued credit for not less than three years of allowable service as defined under subdivision 16;

(2) a public employee who first becomes a member of the association after June 30, 2010, and before July 1, 2014, is vested at the following percentages when the person has accrued credited allowable service as defined under subdivision 16, as follows:

- (i) 50 percent after five years;
- (ii) 60 percent after six years;
- (iii) 70 percent after seven years;
- (iv) 80 percent after eight years;
- (v) 90 percent after nine years; and
- (vi) 100 percent after ten years; and

(3) a public employee who first becomes a member of the association after June 30, 2014, is vested at the following percentages when the person has accrued credited allowable service as defined under subdivision 16, as follows:

- (i) 50 percent after ten years;
- (ii) 55 percent after 11 years;
- (iii) 60 percent after 12 years;
- (iv) 65 percent after 13 years;
- (v) 70 percent after 14 years;
- (vi) 75 percent after 15 years;
- (vii) 80 percent after 16 years;
- (viii) 85 percent after 17 years;
- (ix) 90 percent after 18 years;
- (x) 95 percent after 19 years; and
- (xi) 100 percent after 20 or more years.

Sec. 4. Minnesota Statutes 2012, section 353.031, subdivision 4, is amended to read:

Subd. 4. **Additional requirements; eligibility for police and fire or local government correctional service retirement plan disability benefits.** (a) If an application for disability benefits is filed within two years of the date of the injury or the onset of the illness that gave rise to the disability application, the application must be supported by evidence that the applicant is unable to perform the duties of the position held by the applicant on the date of the injury or the onset of the illness causing the disability. The employer must provide evidence indicating whether the applicant is able or unable to perform the duties of the position held on the date of the injury or onset of the illness causing the disability ~~and the specifications,~~ a clear explanation of any duties that the individual can or cannot perform, and an explanation of why the employer may or may not authorize continued employment to the applicant in the current or other position.

(b) If an application for disability benefits is filed more than two years after the date of injury or the onset of an illness causing the disability, the application must be supported by evidence that the applicant is unable to perform the ~~most recent~~ duties that ~~are~~ were expected to be performed by the applicant during the 90 days ~~before preceding~~ the ~~filing of last day the application~~ applicant performed services for the employer. The employer must provide evidence of the duties that ~~are~~ were expected to be performed by the applicant during the 90 days ~~before preceding~~ the ~~filing of last day the application~~ applicant performed services, whether the applicant can or cannot perform those duties overall, ~~and the specifications~~ a clear explanation of any duties that the applicant can or cannot perform, and an explanation of why the employer may or may not authorize continued employment to the applicant in the current or other position.

(c) Any report supporting a claim to disability benefits under section 353.656 or 353E.06 must specifically relate the disability to its cause; and for any claim to duty disability from an injury or illness arising out of an act of duty, the report must state the specific act of duty giving rise to the claim, and relate the cause of disability to inherently dangerous duties ~~specific tasks or functions required to be performed by the employee in fulfilling the employee's duty-related acts which must be specific to the inherent dangers of the positions eligible for membership in covered by the public employees police and fire fund plan and the local government correctional service retirement plan~~. Any report that does not relate the cause of disability to specific ~~acts or functions~~ inherently dangerous duties performed by the employee may not be relied upon as evidence to support eligibility for benefits and may be disregarded in the executive director's decision-making process.

(d) Any application for duty disability must be supported by a first report of injury as defined in section 176.231.

(e) If a member who has applied for and been approved for disability benefits before the termination of service does not terminate service or is not placed on an authorized leave of absence as certified by the governmental subdivision within 45 days following the date on which the application is approved, the application shall be canceled. If an approved application for disability benefits has been canceled, a subsequent application for disability benefits may not be filed on the basis of the same medical condition for a minimum of one year from the date on which the previous application was canceled.

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

Sec. 5. Minnesota Statutes 2012, section 353.35, subdivision 1, is amended to read:

Subdivision 1. **Refund rights.** (a) Except as provided in paragraph (b), when any former member accepts a refund, all existing service credits and all rights and benefits to which the person was entitled prior to the acceptance of the refund must terminate.

(b) A refund under section 353.651, subdivision 3, paragraph (c), does not result in a forfeiture of salary credit for the allowable service credit covered by the refund.

(c) The rights and benefits of a former member must not be restored until the person returns to active service and acquires at least six months of allowable service credit after taking the last refund and repays the refund or refunds taken and interest received under section 353.34, subdivisions 1 and 2, plus interest at an annual rate of 8.5 percent compounded annually. If the person elects to restore service credit in a particular fund from which the person has taken more than one refund, the person must repay all refunds to that fund. All refunds must be repaid within six months of the last date of termination of public service.

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

Sec. 6. Minnesota Statutes 2012, section 353.65, subdivision 2, is amended to read:

Subd. 2. **Employee contribution.** (a) For members other than members who were active members of the former Minneapolis Firefighters Relief Association on December 29, 2011, or for members other than members who were active members of the former Minneapolis Police Relief Association on December 29, 2011, the employee contribution is ~~9.4 percent~~ an amount equal to the following percentage of the total salary of the each member in calendar year 2010 and is, as follows: 9.6 percent of the salary of the member in each before calendar year after 2010 2014; 10.2 percent in calendar year 2014; and 10.8 percent in calendar year 2015 and thereafter.

(b) For members who were active members of the former Minneapolis Firefighters Relief Association on December 29, 2011, the employee contribution is an amount equal to eight percent of the monthly unit value under section 353.01, subdivision 10a, multiplied by 80 and expressed as a biweekly amount for each member. The employee contribution made by a member with at least 25 years of service credit as an active member of the former Minneapolis Firefighters Relief Association must be deposited in the postretirement health care savings account established under section 352.98.

(c) For members who were active members of the former Minneapolis Police Relief Association on December 29, 2011, the employee contribution is an amount equal to eight percent of the monthly unit value under section 353.01, subdivision 10b, multiplied by 80 and expressed as a biweekly amount for each member. The employee contribution made by a member with at least 25 years of service credit as an active member of the former Minneapolis Police Relief Association must be deposited in the postretirement health care savings account established under section 352.98.

(d) Contributions under this section must be made by deduction from salary in the manner provided in subdivision 4. Where any portion of a member's salary is paid from other than public funds, the member's employee contribution is based on the total salary received from all sources.

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

Sec. 7. Minnesota Statutes 2012, section 353.65, subdivision 3, is amended to read:

Subd. 3. **Employer contribution.** (a) With respect to members other than members who were active members of the former Minneapolis Firefighters Relief Association on December 29, 2011, or for members other than members who were active members of the former Minneapolis Police Relief Association on December 29, 2011, the employer contribution is ~~14.1 percent~~ an amount equal to the following percentage of the total salary of the each member in calendar year 2010 and is, as follows: 14.4 percent of the salary of the member in each before calendar year after 2010 2014; 15.3 percent in calendar year 2014; and 16.2 percent in calendar year 2015 and thereafter.

(b) With respect to members who were active members of the former Minneapolis Firefighters Relief Association on December 29, 2011, the employer contribution is an amount equal to the amount of the member contributions under subdivision 2, paragraph (b).

(c) With respect to members who were active members of the former Minneapolis Police Relief Association on December 29, 2011, the employer contribution is an amount equal to the amount of the member contributions under subdivision 2, paragraph (c).

(d) Contributions under this subdivision must be made from funds available to the employing subdivision by the means and in the manner provided in section 353.28.

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

Sec. 8. Minnesota Statutes 2012, section 353.651, subdivision 3, is amended to read:

Subd. 3. **Retirement annuity formula.** (a) The average salary as defined in section 353.01, subdivision 17a, multiplied by the percent specified in section 356.315, subdivision 6, ~~per year~~ multiplied by years of allowable service, multiplied by the applicable vesting percentage indicated in section 353.01, subdivision 47, determines the amount of the normal retirement annuity. If the member has earned allowable service for performing services other than those of a police officer or firefighter, the annuity representing that service must be computed under sections 353.29 and 353.30.

(b) For a member first enrolled in the public employees police and fire retirement plan after June 30, 2014, the average salary as defined in section 353.01, subdivision 17a, paragraph (a), includes salary for all years for which contributions have been reported to the public employees police and fire retirement plan, but allowable service included in the calculation is limited to 33 years and the normal retirement annuity must not exceed 99 percent of the average salary.

(c) When the annuity begins for members of the public employees police and fire retirement plan enrolled after June 30, 2014, a prorated share of the contributions for allowable service exceeding 33 years must be refunded to the member. The prorated share of the contributions to be refunded is determined by multiplying the accumulated deductions paid by the member to the public employees police and fire retirement plan by a percentage determined using the number of months of service in excess of 396 as the numerator and the total number of months of allowable service on which contributions were reported as the denominator. Interest as defined in section 353.34, subdivision 2, is to be applied to the prorated share of contributions from the first of the 397th month of allowable service reported to the public employees police and fire retirement plan to the first of the month the annuity begins.

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

Sec. 9. Minnesota Statutes 2012, section 353.651, subdivision 4, is amended to read:

Subd. 4. **Early retirement.** (a) A person who becomes a public employees police and fire retirement plan member after June 30, 2007, or a former member who is reinstated as a member of the plan after that date, who is at least 50 years of age and who is at least partially vested under section 353.01, subdivision 47, upon the termination of public service before July 1, 2014, if the person is other than a county sheriff or after January 4, 2015, if the person is a county sheriff is entitled upon application to a retirement annuity equal to the normal annuity calculated under subdivision 3, reduced by two-tenths of one percent for each month that the member is under age 55 at the time of retirement.

(b) Upon the termination of public service before July 1, 2014, if the person is other than a county sheriff or upon the termination of public service before January 5, 2015, if the person is a county sheriff, any public employees police and fire retirement plan member who first became a member of the plan before July 1, 2007, and who is not specified in paragraph (a), upon attaining at least 50 years of age with at least three years of allowable service is entitled upon application to a retirement annuity equal to the normal annuity calculated under subdivision 3, reduced by one-tenth of one percent for each month that the member is under age 55 at the time of retirement.

(c) A person other than a county sheriff who is a member of the public employees police and fire retirement plan on or after July 1, 2014, or a county sheriff who is a member of the public employees police and fire retirement plan on or after January 5, 2015, and who is at least 50 years old and is at least partially vested under section 353.01, subdivision 47, and whose benefit effective date is after July 1, 2014, if other than a county sheriff or after January 4, 2015, if a county sheriff and on or before July 1, 2019, is entitled upon application to a retirement annuity equal to the normal annuity calculated under subdivision 3, reduced for each month the member is under age 55 at the time of retirement by applying a blended monthly rate that is equivalent to the sum of:

(1) one-sixtieth of the annual rate of five percent, prorated for each month the person's benefit effective date is after July 1, 2014, or after December 31, 2014, whichever applies; and

(2) one-sixtieth of the annual rate provided under paragraph (a) or (b), whichever applies, for each month the person's benefit effective date is before July 1, 2019.

(d) A person other than a county sheriff who is a member of the public employees police and fire retirement plan on or after July 1, 2014, or a county sheriff who is a member of the public employees police and fire retirement plan on or after January 5, 2015, and who is at least 50 years old and is at least partially vested under section 353.01, subdivision 47, whose benefit effective date is after July 1, 2019, is entitled, upon application, to a retirement annuity equal to the normal annuity calculated under subdivision 3, reduced by five percent annually, prorated for each month that the member is under age 55.

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

Sec. 10. Minnesota Statutes 2012, section 353.657, subdivision 2a, is amended to read:

Subd. 2a. **Death while eligible survivor benefit.** (a) If a member or former member who has attained the age of at least 50 years and either who is vested under section 353.01, subdivision 47, or who has credit for at least 30 years of allowable service, regardless of age attained, dies before the annuity or disability benefit becomes payable, notwithstanding any designation of beneficiary to the contrary, the surviving spouse may elect to receive a death while eligible survivor benefit.

(b) Notwithstanding the definition of surviving spouse in section 353.01, subdivision 20, a former spouse of the member, if any, is entitled to a portion of the death while eligible survivor benefit if stipulated under the terms of a marriage dissolution decree filed with the association. If there is no surviving spouse or child or children, a former spouse may be entitled to a lump-sum refund payment under section 353.32, subdivision 1, if provided for in a marriage dissolution decree but not a death while eligible survivor benefit despite the terms of a marriage dissolution decree filed with the association.

(c) The benefit may be elected instead of a refund with interest under section 353.32, subdivision 1, or surviving spouse benefits otherwise payable under subdivisions 1 and 2. The benefit must be an annuity equal to the 100 percent joint and survivor annuity which the member could have qualified for on the date of death, computed as provided in sections 353.651, ~~subdivisions 2 and~~ subdivision 3, and 353.30, subdivision 3.

(d) The surviving spouse may apply for the annuity at any time after the date on which the deceased employee would have attained the required age for retirement based on the employee's allowable service. Sections 353.34, subdivision 3, and 353.71, subdivision 2, apply to a deferred annuity payable under this subdivision.

(e) No payment accrues beyond the end of the month in which entitlement to such annuity has terminated. An amount equal to the excess, if any, of the accumulated contributions which were credited to the account of the deceased employee over and above the total of the annuities paid and payable to the surviving spouse must be paid to the deceased member's last designated beneficiary or, if none, to the legal representative of the estate of such deceased member.

(f) Any member may request in writing, with the signed consent of the spouse, that this subdivision not apply and that payment be made only to the designated beneficiary, as otherwise provided by this chapter.

(g) For a member who is employed as a full-time firefighter by the Department of Military Affairs of the state of Minnesota, allowable service as a full-time state Military Affairs Department firefighter credited by the Minnesota State Retirement System may be used in meeting the minimum allowable service requirement of this subdivision.

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

Sec. 11. Minnesota Statutes 2012, section 353.657, subdivision 3a, is amended to read:

Subd. 3a. **Maximum and minimum family benefits.** (a) The maximum monthly benefit per family must not exceed the following percentages of the member's average monthly salary as specified in subdivision 3:

(1) 80 percent, if the member's death was a line of duty death; or

(2) 70 percent, if the member's death was not a line of duty death or occurred while the member was receiving a disability benefit that accrued before July 1, 2007.

(b) The minimum monthly benefit per family, including the joint and survivor optional annuity under subdivision 2a, and section 353.656, subdivision 1a, must not be less than the following percentage of the member's average monthly salary as specified in subdivision 3:

(1) 60 percent, if the death was a line of duty death; or

(2) 50 percent, if the death was not a line of duty death or occurred while the member was receiving a disability benefit that accrued before July 1, 2007.

(c) If the maximum under paragraph (a) is exceeded, the monthly benefit of the joint annuitant, surviving spouse, and dependent children, as applicable, must each be reduced to the amount necessary proportionately so that the total family benefit does not exceed the applicable maximum. The joint and survivor optional annuity, surviving spouse, or dependent children benefit, as applicable, must be restored, plus applicable postretirement adjustments under Minnesota Statutes 2008, section 356.41 or section 356.415, as the dependent child or children become no longer dependent under section 353.01, subdivision 15, or in the event of the death of the joint and survivor annuity recipient or the surviving spouse.

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

Sec. 12. Minnesota Statutes 2012, section 353E.001, subdivision 1, is amended to read:

Subdivision 1. **Duty disability.** "Duty disability," physical or psychological, means a condition that is expected to prevent a member, for a period of not less than 12 months, from performing the normal duties of a local government correctional service employee as defined under section 353E.02 and that is the direct result of an injury incurred during, or a disease arising out of, the performance of ~~normal duties or the actual performance of less frequent inherently dangerous duties, either of which are specific to protecting the property and personal safety of others and that present inherent dangers~~ that are specific to the positions covered by the local government correctional service retirement plan.

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

Sec. 13. Minnesota Statutes 2012, section 356.415, subdivision 1b, is amended to read:

Subd. 1b. **Annual postretirement adjustments; PERA; general employees retirement plan and local government correctional retirement plan.** (a) Retirement annuity, disability benefit, or survivor benefit recipients of the general employees retirement plan of the Public Employees Retirement Association and the local government correctional service retirement plan are entitled to a postretirement adjustment annually on January 1, as follows:

(1) for ~~January 1, 2011, and~~ each successive January 1 until funding stability is restored for the applicable retirement plan, a postretirement increase of one percent must be applied each year, effective on January 1, to the monthly annuity or benefit amount of each annuitant or benefit recipient who has been receiving an annuity or benefit for at least 12 full months as of the current June 30;

(2) for ~~January 1, 2011, and~~ each successive January 1 until funding stability is restored for the applicable retirement plan, for each annuitant or benefit recipient who has been receiving an annuity or a benefit for at least one full month, but less than 12 full months as of the current June 30, an annual postretirement increase of 1/12 of one percent for each month the person has been receiving an annuity or benefit must be applied;

(3) for each January 1 following the restoration of funding stability for the applicable retirement plan, a postretirement increase of 2.5 percent must be applied each year, effective January 1, to the monthly annuity or benefit amount of each annuitant or benefit recipient who has been receiving an annuity or benefit for at least 12 full months as of the current June 30; and

(4) for each January 1 following restoration of funding stability for the applicable retirement plan, for each annuity or benefit recipient who has been receiving an annuity or a benefit for at least one full month, but less than 12 full months as of the current June 30, an annual postretirement increase of 1/12 of 2.5 percent for each month the person has been receiving an annuity or benefit must be applied.

(b) Funding stability is restored when the market value of assets of the applicable retirement plan equals or exceeds 90 percent of the actuarial accrued liabilities of the applicable plan in the two most recent prior consecutive actuarial valuation valuations prepared under section 356.215 and the standards for actuarial work by the approved actuary retained by the Public Employees Retirement Association under section 356.214.

~~(c) If, after applying the increase as provided for in paragraph (a), clauses (3) and (4), the market value of the applicable retirement plan is determined in the next subsequent actuarial valuation prepared under section 356.215 to be less than 90 percent of the actuarial accrued liability of any of the applicable Public Employees Retirement Association plans, After having met the definition of funding stability under paragraph (b), the increase provided in paragraph (a), clauses (1) and (2), are rather than an increase under subdivision 1, is again to be applied as of the next successive January until funding stability is again restored. in a subsequent year or years if the market value of assets of the applicable plan equals or is less than:~~

(1) 85 percent of the actuarial accrued liabilities of the applicable plan for two consecutive actuarial valuations; or

(2) 80 percent of the actuarial accrued liabilities of the applicable plan for the most recent actuarial valuation.

(d) An increase in annuity or benefit payments under this section must be made automatically unless written notice is filed by the annuitant or benefit recipient with the executive director of the Public Employees Retirement Association requesting that the increase not be made.

(e) The retirement annuity payable to a person who retires before becoming eligible for Social Security benefits and who has elected the optional payment, as provided in section 353.29, subdivision 6, must be treated as the sum of a period-certain retirement annuity and a life retirement annuity for the purposes of any postretirement adjustment. The period-certain retirement annuity plus the life retirement annuity must be the annuity amount payable until age 62 for section 353.29, subdivision 6. A postretirement adjustment granted on the period-certain retirement annuity must terminate when the period-certain retirement annuity terminates.

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

Sec. 14. Minnesota Statutes 2012, section 356.415, subdivision 1c, is amended to read:

Subd. 1c. **Annual postretirement adjustments; PERA-police and fire.** (a) Retirement annuity, disability benefit, or survivor benefit recipients of the public employees police and fire retirement plan are entitled to a postretirement adjustment annually on January 1, until funding stability is restored, as follows:



(1) for ~~January 1, 2011, and for January 1, 2012,~~ for each annuitant or benefit recipient whose annuity or benefit effective date is on or before June 1, 2014, who has been receiving the annuity or benefit for at least 12 full months as of the immediate preceding June 30, an amount equal to one percent in each year; or

(2) for ~~January 1, 2011, and for January 1, 2012,~~ for each annuitant or benefit recipient whose annuity or benefit effective date is on or before June 1, 2014, who has been receiving the annuity or benefit for at least one full month, but not less than 11 months, as of the immediate preceding June 30, an amount equal to 1/12 of one percent ~~in each year~~ for each month of annuity or benefit receipt; and

(3) for ~~January 1, 2013, and each successive January 1 that follows the loss of funding stability as defined under paragraph (b) until funding stability as defined under paragraph (b) is again restored,~~ for each annuitant or benefit recipient whose annuity or benefit effective date is after June 1, 2014, who ~~has~~ will have been receiving ~~the an~~ annuity or benefit for at least ~~42~~ 36 full months as of the immediate preceding June 30, an amount equal to ~~the~~ percentage increase in the Consumer Price Index for urban wage earners and clerical workers all items index published by the Bureau of Labor Statistics of the United States Department of Labor between the immediate preceding June 30 and the June 30 occurring 12 months previous, but not to exceed 1.5 one percent; or

(4) for ~~January 1, 2013, and each successive January 1 that follows the loss of funding stability as defined under paragraph (b) until funding stability as defined under paragraph (b) is again restored,~~ for each annuitant or benefit recipient whose annuity or benefit effective date is after June 1, 2014, who has been receiving the annuity or benefit for at least ~~one~~ 25 full ~~month~~ months, but less than 36 months as of the immediate preceding June 30, an amount equal to 1/12 of the percentage increase in the Consumer Price Index for urban wage earners and clerical workers all items index published by the Bureau of Labor Statistics of the United States Department of Labor between the immediate preceding June 30 and the June 30 occurring 12 months previous for each full month of annuity or benefit receipt, but not to exceed 1/12 of 1.5 one percent for each full month of annuity or benefit receipt; during the fiscal year in which the annuity or benefit was effective.

(5) ~~for (b)~~ Retirement annuity, disability benefit, or survivor benefit recipients of the public employees police and fire retirement plan are entitled to a postretirement adjustment annually on each January 1 following the restoration of funding stability as defined under paragraph ~~(b)~~ (c) and during the continuation of funding stability as defined under paragraph ~~(b)~~ (c), as follows:

(1) for each annuitant or benefit recipient who has been receiving the annuity or benefit for at least ~~42~~ 36 full months as of the immediate preceding June 30, an amount equal to the percentage increase in the Consumer Price Index for urban wage earners and clerical workers all items index published by the Bureau of Labor Statistics of the United States Department of Labor between the immediate preceding June 30 and the June 30 occurring 12 months previous, but not to exceed 2.5 percent; and

~~(6) for each January 1 following the restoration of funding stability as defined under paragraph (b) and during the continuation of funding stability as defined under paragraph (b);~~ (2) for each annuitant or benefit recipient who has been receiving the annuity or benefit for at least ~~one~~ 25 full ~~month~~ months, but less than 36 full months, as of the immediate preceding June 30, an amount equal to 1/12 of the percentage increase in the Consumer Price Index for urban wage earners and clerical workers all items index published by the Bureau of Labor Statistics of the United States Department of Labor between the immediate preceding June 30 and the June 30 occurring 12 months previous for each full month of annuity or benefit receipt during the fiscal year in which the annuity or benefit was effective, but not to exceed 1/12 of 2.5 percent for each full month of annuity or benefit receipt during the fiscal year in which the annuity or benefit was effective.

~~(b)~~ (c) Funding stability is restored when the market value of assets of the public employees police and fire retirement plan equals or exceeds 90 percent of the actuarial accrued liabilities of the applicable plan in the two most recent ~~prior consecutive~~ valuation ~~valuations~~ prepared under section 356.215 and under the standards for actuarial work of the Legislative Commission on Pensions and Retirement by the approved actuary retained by the Public Employees Retirement Association under section 356.214.

(d) After having met the definition of funding stability under paragraph (c), a full or prorated increase, as provided in paragraph (a), clause (1), (2), (3), or (4), whichever applies, rather than adjustments under paragraph (b), is again applied in a subsequent year or years if the market value of assets of the public employees police and fire retirement plan equals or is less than:

(1) 85 percent of the actuarial accrued liabilities of the applicable plan for two consecutive actuarial valuations; or

(2) 80 percent of the actuarial accrued liabilities of the applicable plan for the most recent actuarial valuation.

(e) (e) An increase in annuity or benefit payments under this section must be made automatically unless written notice is filed by the annuitant or benefit recipient with the executive director of the Public Employees Retirement Association requesting that the increase not be made.

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

ARTICLE 12  
TEACHERS RETIREMENT ASSOCIATION  
EARLY RETIREMENT REDUCTION FACTORS

Section 1. Minnesota Statutes 2012, section 354.44, subdivision 6, is amended to read:

Subd. 6. **Computation of formula program retirement annuity.** (a) The formula retirement annuity must be computed in accordance with the applicable provisions of the formulas stated in paragraph (b) or (d) on the basis of each member's average salary under section 354.05, subdivision 13a, for the period of the member's formula service credit.

(b) This paragraph, in conjunction with paragraph (c), applies to a person who first became a member of the association or a member of a pension fund listed in section 356.30, subdivision 3, before July 1, 1989, unless paragraph (d), in conjunction with paragraph (e), produces a higher annuity amount, in which case paragraph (d) applies. The average salary as defined in section 354.05, subdivision 13a, multiplied by the following percentages per year of formula service credit shall determine the amount of the annuity to which the member qualifying therefor is entitled for service rendered before July 1, 2006:

	Coordinated Member	Basic Member
Each year of service during first ten	the percent specified in section 356.315, subdivision 1, per year	the percent specified in section 356.315, subdivision 3, per year
Each year of service thereafter	the percent specified in section 356.315, subdivision 2, per year	the percent specified in section 356.315, subdivision 4, per year

For service rendered on or after July 1, 2006, the average salary as defined in section 354.05, subdivision 13a, multiplied by the following percentages per year of service credit, determines the amount the annuity to which the member qualifying therefor is entitled:

	Coordinated Member	Basic Member
Each year of service during first ten	the percent specified in section 356.315, subdivision 1a, per year	the percent specified in section 356.315, subdivision 3, per year
Each year of service after ten years of service	the percent specified in section 356.315, subdivision 2b, per year	the percent specified in section 356.315, subdivision 4, per year

(c)(i) This paragraph applies only to a person who first became a member of the association or a member of a pension fund listed in section 356.30, subdivision 3, before July 1, 1989, and whose annuity is higher when calculated under paragraph (b), in conjunction with this paragraph than when calculated under paragraph (d), in conjunction with paragraph (e).

(ii) Where any member retires prior to normal retirement age under a formula annuity, the member shall be paid a retirement annuity in an amount equal to the normal annuity provided in paragraph (b) reduced by one-quarter of one percent for each month that the member is under normal retirement age at the time of retirement except that for any member who has 30 or more years of allowable service credit, the reduction shall be applied only for each month that the member is under age 62.

(iii) Any member whose attained age plus credited allowable service totals 90 years is entitled, upon application, to a retirement annuity in an amount equal to the normal annuity provided in paragraph (b), without any reduction by reason of early retirement.

(d) This paragraph applies to a member who has become at least 55 years old and first became a member of the association after June 30, 1989, and to any other member who has become at least 55 years old and whose annuity amount when calculated under this paragraph and in conjunction with paragraph (e), is higher than it is when calculated under paragraph (b), in conjunction with paragraph (c). For a basic member, the average salary, as defined in section 354.05, subdivision 13a, multiplied by the percent specified by section 356.315, subdivision 4, for each year of service for a basic member shall determine the amount of the retirement annuity to which the basic member is entitled. The annuity of a basic member who was a member of the former Minneapolis Teachers Retirement Fund Association as of June 30, 2006, must be determined according to the annuity formula under the articles of incorporation of the former Minneapolis Teachers Retirement Fund Association in effect as of that date. For a coordinated member, the average salary, as defined in section 354.05, subdivision 13a, multiplied by the percent specified in section 356.315, subdivision 2, for each year of service rendered before July 1, 2006, and by the percent specified in section 356.315, subdivision 2b, for each year of service rendered on or after July 1, 2006, determines the amount of the retirement annuity to which the coordinated member is entitled.

(e) This paragraph applies to a person who has become at least 55 years old and first becomes a member of the association after June 30, 1989, and to any other member who has become at least 55 years old and whose annuity is higher when calculated under paragraph (d) in conjunction with this paragraph than when calculated under paragraph (b), in conjunction with paragraph (c). An employee who retires under the formula annuity before the normal retirement age shall be paid the normal annuity provided in paragraph (d) reduced so that the reduced annuity is the actuarial equivalent of the annuity that would be payable to the employee if the employee deferred receipt of the annuity and the annuity amount were augmented at an annual rate of three percent compounded annually from the day the annuity begins to accrue until the normal retirement age if the employee became an employee before July 1, 2006, and at 2.5 percent compounded annually if the employee becomes an employee after June 30, 2006. Except in regards to section 354.46, this paragraph remains in effect until June 30, 2015.

(f) After June 30, 2020, this paragraph applies to a person who has become at least 55 years old and first becomes a member of the association after June 30, 1989, and to any other member who has become at least 55 years old and whose annuity is higher when calculated under paragraph (d) in conjunction with this paragraph than when calculated under paragraph (b), in conjunction with paragraph (c). An employee who retires under the formula annuity before the normal retirement age is entitled to receive the normal annuity provided in paragraph (d). For a person who is at least age 62 or older and has at least 30 years of service, the annuity must be reduced by an early reduction factor of six percent per year of the annuity that would be payable to the employee if the employee deferred receipt of the annuity and the annuity amount were augmented at an annual rate of three percent compounded annually from the day the annuity begins to accrue until the normal retirement age if the employee became an employee before July 1, 2006, and at 2.5 percent compounded annually if the employee became an employee after June 30, 2006. For a person who is not at least age 62 or older and does not have at least 30 years of service, the annuity would be reduced by an early reduction factor of four percent per year for ages 55 through 59 and seven percent per year of the annuity that would be payable to the employee if the employee deferred receipt of

the annuity and the annuity amount were augmented at an annual rate of three percent compounded annually from the day the annuity begins to accrue until the normal retirement age if the employee became an employee before July 1, 2006, and at 2.5 percent compounded annually if the employee became an employee after June 30, 2006.

(g) After June 30, 2015, and before July 1, 2020, for a person who would have a reduced retirement annuity under either paragraph (e) or (f) if they were applicable, the employee is entitled to receive a reduced annuity which must be calculated using a blended reduction factor augmented monthly by 1/60 of the difference between the reduction required under paragraph (e) and the reduction required under paragraph (f).

(h) No retirement annuity is payable to a former employee with a salary that exceeds 95 percent of the governor's salary unless and until the salary figures used in computing the highest five successive years average salary under paragraph (a) have been audited by the Teachers Retirement Association and determined by the executive director to comply with the requirements and limitations of section 354.05, subdivisions 35 and 35a.

**EFFECTIVE DATE.** This section is effective July 1, 2013.

ARTICLE 13  
FIRST CLASS CITY TEACHER RETIREMENT  
INCREASES AND FINANCIAL SOLVENCY MEASURES

Section 1. **[354.436] DIRECT STATE AID ON BEHALF OF THE FORMER MINNEAPOLIS TEACHERS RETIREMENT FUND ASSOCIATION.**

Subdivision 1. **Aid authorization.** The state shall pay \$12,954,000 to the Teachers Retirement Association on behalf of the former Minneapolis Teachers Retirement Fund Association.

Subd. 2. **Aid appropriation.** The commissioner of management and budget shall pay the aid annually on October 1. The amount required is appropriated annually from the general fund to the commissioner of management and budget.

Subd. 3. **Aid expiration.** The aid specified in this section terminates and this section expires when the current assets of the Teachers Retirement Association fund equal or exceed the actuarial accrued liabilities of the fund as determined in the most recent actuarial valuation report for the Teachers Retirement Association fund by the actuary retained under section 356.214, or on the established date for full funding under section 356.215, subdivision 11, whichever occurs earlier.

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

Sec. 2. Minnesota Statutes 2012, section 354A.011, subdivision 21, is amended to read:

Subd. 21. **Retirement.** (a) "Retirement" means the time after the date of cessation of active teaching service by a teacher who is ~~thereafter then~~ entitled to an accrued retirement annuity ~~commencing beginning~~ as designated by the board of trustees and payable ~~pursuant to an~~ upon filing a valid application for an annuity ~~filed~~ with the board. The applicable provisions of law, articles of incorporation and bylaws in effect on the date of cessation of active teaching service thereafter determine the rights of the person.

(b) For members of the St. Paul Teachers Retirement Fund Association, a right to a retirement annuity requires a complete and continuous separation for 90 days from employment in any form with Independent School District No. 625, including service provided to the school district as an independent contractor or as an employee of an independent contractor.

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

Sec. 3. Minnesota Statutes 2012, section 354A.12, subdivision 1, is amended to read:

Subdivision 1. **Employee contributions.** (a) The contribution required to be paid by each member of a teachers retirement fund association is the percentage of total salary specified below for the applicable association and program:

Association and Program	Percentage of Total Salary
Duluth Teachers Retirement Fund Association	
old law and new law coordinated programs	
before July 1, <del>2011-2013</del>	<del>5.5</del> <u>6.5</u> percent
effective July 1, <del>2011-2013</del>	<del>6.0</del> <u>7.0</u> percent
effective July 1, <del>2012-2014</del>	<del>6.5</del> <u>7.5</u> percent
St. Paul Teachers Retirement Fund Association	
<del>basic program before July 1, 2011</del>	<del>8 percent</del>
<del>basic program after June 30, 2011</del>	<del>8.25 percent</del>
basic program after June 30, 2012	8.5 percent
basic program after June 30, 2013	8.75 percent
basic program after June 30, 2014	9.0 percent
<u>basic program after June 30, 2015</u>	<u>9.5 percent</u>
<u>basic program after June 30, 2016</u>	<u>10.0 percent</u>
<del>coordinated program before July 1, 2011</del>	<del>5.5 percent</del>
<del>coordinated program after June 30, 2011</del>	<del>5.75 percent</del>
coordinated program after June 30, 2012	6.0 percent
coordinated program after June 30, 2013	6.25 percent
coordinated program after June 30, 2014	6.50 percent
<u>coordinated program after June 30, 2015</u>	<u>7.0 percent</u>
<u>coordinated program after June 30, 2016</u>	<u>7.50 percent</u>

(b) Contributions shall be made by deduction from salary and must be remitted directly to the respective teachers retirement fund association at least once each month.

(c) When an employee contribution rate changes for a fiscal year, the new contribution rate is effective for the entire salary paid by the employer with the first payroll cycle reported.

**EFFECTIVE DATE.** This section is effective with respect to the Duluth Teachers Retirement Fund Association on July 1, 2013, and is effective with respect to the St. Paul Teachers Retirement Fund Association on the day following final enactment.

Sec. 4. Minnesota Statutes 2012, section 354A.12, subdivision 2a, is amended to read:

Subd. 2a. **Employer regular and additional contributions.** (a) The employing units shall make the following employer contributions to teachers retirement fund associations:

(1) for any coordinated member of one of the following teachers retirement fund associations in a city of the first class, the employing unit shall make a regular employer contribution to the respective retirement fund association in an amount equal to the designated percentage of the salary of the coordinated member as provided below:

## Duluth Teachers Retirement Fund Association

before July 1, <del>2011</del> <u>2013</u>	<del>5.79</del> <u>6.79</u> percent
effective July 1, <del>2011</del> <u>2013</u>	<del>6.29</del> <u>7.29</u> percent
effective July 1, <del>2012</del> <u>2014</u>	<del>6.79</del> <u>7.50</u> percent

## St. Paul Teachers Retirement Fund Association

<del>before July 1, 2011</del>	<del>4.50</del> percent
<del>after June 30, 2011</del>	<del>4.75</del> percent
after June 30, 2012	5.0 percent
after June 30, 2013	5.25 percent
after June 30, 2014	5.5 percent
<u>after June 30, 2015</u>	<u>6.0</u> percent
<u>after June 30, 2016</u>	<u>6.25</u> percent
<u>after June 30, 2017</u>	<u>6.5</u> percent

(2) for any basic member of the St. Paul Teachers Retirement Fund Association, the employing unit shall make a regular employer contribution to the respective retirement fund in an amount according to the schedule below:

<del>before July 1, 2011</del>	<del>8.0</del> percent of salary
<del>after June 30, 2011</del>	<del>8.25</del> percent of salary
after June 30, 2012	8.5 percent of salary
after June 30, 2013	8.75 percent of salary
after June 30, 2014	9.0 percent of salary
<u>after June 30, 2015</u>	<u>9.5</u> percent of salary
<u>after June 30, 2016</u>	<u>9.75</u> percent of salary
<u>after June 30, 2017</u>	<u>10.0</u> percent of salary

(3) for a basic member of the St. Paul Teachers Retirement Fund Association, the employing unit shall make an additional employer contribution to the respective fund in an amount equal to 3.64 percent of the salary of the basic member;

(4) for a coordinated member of the St. Paul Teachers Retirement Fund Association, the employing unit shall make an additional employer contribution to the respective fund in an amount equal to the applicable percentage of the coordinated member's salary, as provided below:

St. Paul Teachers Retirement Fund Association 3.84 percent

(b) The regular and additional employer contributions must be remitted directly to the respective teachers retirement fund association at least once each month. Delinquent amounts are payable with interest under the procedure in subdivision 1a.

(c) Payments of regular and additional employer contributions for school district or technical college employees who are paid from normal operating funds must be made from the appropriate fund of the district or technical college.

(d) When an employer contribution rate changes for a fiscal year, the new contribution rate is effective for the entire salary paid by the employer with the first payroll cycle reported.

**EFFECTIVE DATE.** This section is effective with respect to the Duluth Teachers Retirement Fund Association on July 1, 2013, and is effective with respect to the St. Paul Teachers Retirement Fund Association on the day following final enactment.

Sec. 5. Minnesota Statutes 2012, section 354A.12, is amended by adding a subdivision to read:

**Subd. 2c. Duluth Teachers Retirement Fund Association; employer contributions for reemployed annuitants.** The school district shall make the regular employer contributions and additional employer contributions specified in subdivision 2a on behalf of any retired member of the Duluth Teachers Retirement Fund Association who is reemployed by Independent School District No. 709, including providing service to the school district as an independent contractor or as an employee of an independent contractor.

**EFFECTIVE DATE.** This section is effective July 1, 2013.

Sec. 6. Minnesota Statutes 2012, section 354A.12, is amended by adding a subdivision to read:

**Subd. 2d. St. Paul Teachers Retirement Fund Association; employer contributions for reemployed annuitants.** Independent School District No. 625 shall make the regular employer contribution and additional employer contribution specified in subdivision 2a, plus a supplemental contribution equal to 2.5 percent of salary, on behalf of any retired member of the St. Paul Teachers Retirement Fund Association who is reemployed by Independent School District No. 625, including providing service to the school district as an independent contractor or as an employee of an independent contractor.

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

Sec. 7. Minnesota Statutes 2012, section 354A.12, subdivision 3a, is amended to read:

**Subd. 3a. Special direct state aid to first class city teachers retirement fund associations.** (a) The state shall pay \$346,000 as special direct state aid to the Duluth Teachers Retirement Fund Association; and \$2,827,000 to the St. Paul Teachers Retirement Fund Association and, for the former Minneapolis Teachers Retirement Fund Association, \$12,954,000 to the Teachers Retirement Association.

(b) The ~~direct state~~ aids under this subdivision are payable October 1 annually. The commissioner of management and budget shall pay the ~~direct state aid~~ aids specified in this subdivision. The ~~amount~~ amounts required ~~under this subdivision~~ is are appropriated annually from the general fund to the commissioner of management and budget.

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

Sec. 8. Minnesota Statutes 2012, section 354A.12, subdivision 3c, is amended to read:

**Subd. 3c. Termination of supplemental contributions and direct matching and state aid.** (a) The supplemental contributions payable to the St. Paul Teachers Retirement Fund Association by Independent School District No. 625 under section 423A.02, subdivision 3, ~~or the direct~~ and all forms of state aid under subdivision 3a to the St. Paul Teachers Retirement Fund Association must continue until the current assets of the fund equal or exceed the actuarial accrued liability of the fund as determined in the most recent actuarial report for the fund by the actuary retained under section 356.214 or until June 30, 2037, whichever occurs earlier.

(b) The aid to the Duluth Teachers Retirement Fund Association under section 423A.02, subdivision 3, and all forms of state aid under subdivision 3a to the Duluth Teachers Retirement Fund Association must continue until the current assets of the fund equal or exceed the actuarial accrued liability of the fund as determined in the most recent actuarial report for the fund by the actuary retained under section 356.214 or until the established date for full funding under section 356.215, subdivision 11, whichever occurs earlier.

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

Sec. 9. Minnesota Statutes 2012, section 354A.12, subdivision 7, is amended to read:

Subd. 7. **Recovery of benefit overpayments.** (a) If the executive director discovers, within the time period specified in subdivision 8 following the payment of a refund or the accrual date of any retirement annuity, survivor benefit, or disability benefit, that benefit overpayment has occurred due to using invalid service or salary, or due to any erroneous calculation procedure, the executive director must recalculate the annuity or benefit payable and recover any overpayment. The executive director shall recover the overpayment by requiring direct repayment or by suspending or reducing the payment of a retirement annuity or other benefit payable under this chapter to the applicable person or the person's estate, whichever applies, until all outstanding amounts have been recovered. If a benefit overpayment or improper payment of benefits occurred caused by a failure of the person to satisfy length of separation requirements for retirement under section 354A.011, subdivision 21, the executive director shall recover the improper payments by requiring direct repayment. The repayment must include interest at the rate of 0.71 percent per month from the first of the month in which a monthly benefit amount was paid to the first of the month in which the amount is repaid, with annual compounding.

(b) In the event the executive director determines that an overpaid annuity or benefit that is the result of invalid salary included in the average salary used to calculate the payment amount must be recovered, the executive director must determine the amount of the employee deductions taken in error on the invalid salary, with interest as determined under 354A.37, subdivision 3, and must subtract that amount from the total annuity or benefit overpayment, and the remaining balance of the overpaid annuity or benefit, if any, must be recovered.

(c) If the invalid employee deductions plus interest exceed the amount of the overpaid benefits, the balance must be refunded to the person to whom the benefit or annuity is being paid.

(d) Any invalid employer contributions reported on the invalid salary must be credited against future contributions payable by the employer.

(e) If a member or former member, who is receiving a retirement annuity or disability benefit for which an overpayment is being recovered, dies before recovery of the overpayment is completed and an optional annuity or refund is payable, the remaining balance of the overpaid annuity or benefit must continue to be recovered from the payment to the optional annuity beneficiary or refund recipient.

(f) The board of trustees shall adopt policies directing the period of time and manner for the collection of any overpaid retirement or optional annuity, and survivor or disability benefit, or a refund that the executive director determines must be recovered as provided under this section.

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

Sec. 10. Minnesota Statutes 2012, section 354A.27, is amended by adding a subdivision to read:

Subd. 6a. **Postretirement adjustment transition.** (a) If the funded ratio of the retirement plan based on the actuarial value of assets is at least 90 percent as reported in the most recent actuarial valuation prepared under sections 356.214 and 356.215, this subdivision expires and subsequent postretirement adjustments are governed by subdivision 7.

(b) Each annuity or benefit recipient of the retirement plan who has been receiving that annuity or benefit for at least 12 months as of the applicable January 1 is eligible to receive a postretirement adjustment of one percent, payable on January 1.

**EFFECTIVE DATE.** This section is effective July 1, 2013, and applies to the January 1, 2014, postretirement increase.



Sec. 11. Minnesota Statutes 2012, section 354A.27, subdivision 7, is amended to read:

Subd. 7. **Calculation of postretirement adjustments.** (a) This subdivision applies if subdivision 6 6a has expired.

(b) A percentage adjustment must be computed and paid under this subdivision to eligible persons under subdivision 5. This adjustment is determined by reference to the Consumer Price Index for urban wage earners and clerical workers all items index as reported by the Bureau of Labor Statistics within the United States Department of Labor each year as part of the determination of annual cost-of-living adjustments to recipients of federal old-age, survivors, and disability insurance. For calculations of cost-of-living adjustments under paragraph (c), the term "average third quarter Consumer Price Index value" means the sum of the monthly index values as initially reported by the Bureau of Labor Statistics for the months of July, August, and September, divided by 3.

(c) Before January 1 of each year, the executive director must calculate the amount of the cost-of-living adjustment by dividing the most recent average third quarter index value by the same average third quarter index value from the previous year, subtract one from the resulting quotient, and express the result as a percentage amount, which must be rounded to the nearest one-tenth of one percent.

(d) The amount calculated under paragraph (c) is the full cost-of-living adjustment to be applied as a permanent increase to the regular payment of each eligible member on January 1 of the next calendar year. For any eligible member whose effective date of benefit commencement occurred during the calendar year before the cost-of-living adjustment is applied, the full increase amount must be prorated on the basis of whole calendar quarters in benefit payment status in the calendar year prior to the January 1 on which the cost-of-living adjustment is applied, calculated to the third decimal place.

(e) The adjustment must not be less than zero nor greater than five percent.

(f) If the funding ratio of the plan as determined in the most recent actuarial valuation using the actuarial value of assets is less than 80 percent there will be no postretirement adjustment the following January 1.

**EFFECTIVE DATE.** This section is effective July 1, 2013.

Sec. 12. Minnesota Statutes 2012, section 354A.31, subdivision 3, is amended to read:

Subd. 3. **Resumption of teaching after commencement of a retirement annuity.** (a) Any person who retired and is receiving a coordinated program retirement annuity under the provisions of sections 354A.31 to 354A.41 or any person receiving a basic program retirement annuity under the governing sections in the articles of incorporation or bylaws and who has resumed teaching service for the school district in which the teachers retirement fund association exists is entitled to continue to receive retirement annuity payments, except that all or a portion of the annuity payments must be deferred during the calendar year immediately following the calendar year in which the person's salary from the teaching service is in an amount greater than \$46,000. The amount of the annuity deferral is one-third the salary amount in excess of \$46,000 and must be deducted from the annuity payable for the calendar year immediately following the calendar year in which the excess amount was earned.

(b) If the person is retired for only a fractional part of the calendar year during the initial year of retirement, the maximum reemployment salary exempt from triggering a deferral as specified in this subdivision must be prorated for that calendar year.

(c) After a person has reached the Social Security normal retirement age, no deferral requirement is applicable regardless of the amount of any compensation received for teaching service for the school district in which the teachers retirement fund association exists.

(d) The amount of the retirement annuity deferral must be handled or disposed of as provided in section 356.47.

(e) Notwithstanding other paragraphs of this subdivision, for any retired Duluth Teachers Retirement Fund Association member whose effective date of retirement is after June 30, 2013, amounts specified as deferred under this subdivision must instead be forfeited to the Duluth Teachers Retirement Fund Association fund.

(f) Notwithstanding other paragraphs of this subdivision, for any retired St. Paul Teachers Retirement Fund Association basic or coordinated program member whose effective date of retirement is after June 30, 2013, amounts specified as deferred under this subdivision must instead be forfeited to the St. Paul Teachers Retirement Fund Association fund.

(e) (g) For the purpose of this subdivision, salary from teaching service includes: (i) all income for services performed as a consultant or independent contractor; or income resulting from working with the school district in any capacity; and (ii) the greater of either the income received or an amount based on the rate paid with respect to an administrative position, consultant, or independent contractor in the school district in which the teachers retirement fund association exists and at the same level as the position occupied by the person who resumes teaching service.

(f) (h) On or before February 15 of each year, each applicable employing unit shall report to the teachers retirement fund association the amount of postretirement salary as defined in this subdivision, earned as a teacher, consultant, or independent contractor during the previous calendar year by each retiree of the teachers retirement fund association for teaching service performed after retirement. The report must be in a format approved by the executive secretary or director.

**EFFECTIVE DATE.** This section is effective with respect to the Duluth Teachers Retirement Fund Association on July 1, 2013, and is effective with respect to the St. Paul Teachers Retirement Fund Association the day following final enactment.

Sec. 13. Minnesota Statutes 2012, section 354A.31, subdivision 4, is amended to read:

Subd. 4. **Computation of normal coordinated retirement annuity; St. Paul fund.** (a) This subdivision applies to the coordinated program of the St. Paul Teachers Retirement Fund Association.

(b) The normal coordinated retirement annuity is an amount equal to a retiring coordinated member's average salary under section 354A.011, subdivision 7a, multiplied by the retirement annuity formula percentage.

(c) This paragraph, in conjunction with subdivision 6, applies to a person who first became a member or a member in a pension fund listed in section 356.30, subdivision 3, before July 1, 1989, unless paragraph (d), in conjunction with subdivision 7, produces a higher annuity amount, in which case paragraph (d) will apply. For service rendered before July 1, 2015, the retirement annuity formula percentage for purposes of this paragraph is the percent specified in section 356.315, subdivision 1, per year for each year of coordinated service for the first ten years and the percent specified in section 356.315, subdivision 2, for each year of coordinated service thereafter. For service rendered after June 30, 2015, the retirement annuity formula percentage for purposes of this paragraph is the percent specified in section 356.315, subdivision 1a, per year for each year of coordinated service for the first ten years and the percent specified in section 356.315, subdivision 2b, for each year of coordinated service thereafter.

(d) This paragraph applies to a person who has become at least 55 years old and who first becomes a member after June 30, 1989, and to any other member who has become at least 55 years old and whose annuity amount, when calculated under this paragraph and in conjunction with subdivision 7 is higher than it is when calculated under paragraph (c), in conjunction with the provisions of subdivision 6. The retirement annuity formula percentage for purposes of this paragraph is the percent specified in section 356.315, subdivision 2, for each year of coordinated service rendered before July 1, 2015, and the percent specified in section 356.215, subdivision 2b, for each year of coordinated service thereafter.

**EFFECTIVE DATE.** This section is effective July 1, 2014.

Sec. 14. Minnesota Statutes 2012, section 354A.31, subdivision 4a, is amended to read:

Subd. 4a. **Computation of normal coordinated retirement annuity; Duluth fund.** (a) This subdivision applies to the new law coordinated program of the Duluth Teachers Retirement Fund Association.

(b) The normal coordinated retirement annuity is an amount equal to a retiring coordinated member's average salary under section 354A.011, subdivision 7a, multiplied by the retirement annuity formula percentage.

(c) This paragraph, in conjunction with subdivision 6, applies to a person who first became a member or a member in a pension fund listed in section 356.30, subdivision 3, before July 1, 1989, unless paragraph (d), in conjunction with subdivision 7, produces a higher annuity amount, in which case paragraph (d) applies. The retirement annuity formula percentage for purposes of this paragraph is the percent specified in section 356.315, subdivision 1, per year for each year of coordinated program service for the first ten years rendered through June 30, 2013, and the percent specified in section 356.315, subdivision 1a, per year for each year of coordinated program service rendered after June 30, 2013, and the percent specified in section 356.315, subdivision 2, for each subsequent year of coordinated program service through June 30, 2013, and the percent specified in section 356.315, subdivision 2b, per year for each year of coordinated program service rendered after June 30, 2013.

(d) This paragraph applies to a person who is at least 55 years old and who first becomes a member after June 30, 1989, and to any other member who is at least 55 years old and whose annuity amount, when calculated under this paragraph and in conjunction with subdivision 7, is higher than it is when calculated under paragraph (c) in conjunction with subdivision 6. The retirement annuity formula percentage for purposes of this paragraph is the percent specified in section 356.315, subdivision 2, for each year of coordinated program service through June 30, 2013, and the percent specified in section 356.315, subdivision 2b, per year for each year of coordinated program service rendered after June 30, 2013.

**EFFECTIVE DATE.** This section is effective July 1, 2013.

Sec. 15. Minnesota Statutes 2012, section 354A.31, subdivision 7, is amended to read:

Subd. 7. **Actuarial Reduction for early retirement.** (a) This subdivision applies to a person who has become at least 55 years old and first becomes a coordinated member after June 30, 1989, and to any other coordinated member who has become at least 55 years old and whose annuity is higher when calculated using the retirement annuity formula percentage in subdivision 4, paragraph (d), ~~and or~~ or subdivision 4a, paragraph (d), as applicable, in conjunction with this subdivision than when calculated under subdivision 4, paragraph (c), or subdivision 4a, paragraph (c), in conjunction with subdivision 6.

(b) A coordinated member who retires before the ~~full-benefit normal retirement~~ normal retirement age shall be paid the retirement annuity calculated using the retirement annuity formula percentage in subdivision 4, paragraph (d), or subdivision 4a, paragraph (d), ~~reduced so that the reduced annuity is the actuarial equivalent of the annuity that would be payable to the member if the member deferred receipt of the annuity and the annuity amount were augmented at an annual rate of three percent compounded annually from the day the annuity begins to accrue until the normal retirement age if the employee became an employee before July 1, 2006, and at 2.5 percent compounded annually from the day the annuity begins to accrue until the normal retirement age if the person initially becomes a teacher after June 30, 2006.~~ whichever is applicable, multiplied by the applicable early retirement factor specified below:

	<u>Under age 62</u> <u>or less than 30 years of service</u>		<u>Age 62 or older</u> <u>with 30 years of service</u>	
<u>Normal retirement age:</u>	<u>65</u>	<u>66</u>	<u>65</u>	<u>66</u>
<u>Age at retirement</u>				
<u>55</u>	<u>0.5376</u>	<u>0.4592</u>		
<u>56</u>	<u>0.5745</u>	<u>0.4992</u>		

<u>57</u>	<u>0.6092</u>	<u>0.5370</u>		
<u>58</u>	<u>0.6419</u>	<u>0.5726</u>		
<u>59</u>	<u>0.6726</u>	<u>0.6062</u>		
<u>60</u>	<u>0.7354</u>	<u>0.6726</u>		
<u>61</u>	<u>0.7947</u>	<u>0.7354</u>		
<u>62</u>	<u>0.8507</u>	<u>0.7947</u>	<u>0.8831</u>	<u>0.8389</u>
<u>63</u>	<u>0.9035</u>	<u>0.8507</u>	<u>0.9246</u>	<u>0.8831</u>
<u>64</u>	<u>0.9533</u>	<u>0.9035</u>	<u>0.9635</u>	<u>0.9246</u>
<u>65</u>	<u>1.0000</u>	<u>0.9533</u>	<u>1.0000</u>	<u>0.9635</u>
<u>66</u>		<u>1.0000</u>		<u>1.0000</u>

For normal retirement ages between ages 65 and 66, the early retirement factors will be determined by linear interpolation between the early retirement factors applicable for normal retirement ages 65 and 66.

**EFFECTIVE DATE.** This section is effective July 1, 2013.

Sec. 16. Minnesota Statutes 2012, section 354A.35, subdivision 2, is amended to read:

Subd. 2. **Death while eligible to retire; surviving spouse optional annuity.** (a) The surviving spouse of a vested coordinated member who dies prior to retirement may elect to receive, instead of a refund with interest under subdivision 1, an annuity equal to the 100 percent joint and survivor annuity the member could have qualified for had the member terminated service on the date of death. The surviving spouse eligible for a surviving spouse benefit under this paragraph may apply for the annuity at any time after the date on which the deceased employee would have attained the required age for retirement based on the employee's allowable service. A surviving spouse eligible for surviving spouse benefits under paragraph (b) or (c) may apply for an annuity at any time after the member's death. The member's surviving spouse shall be paid a joint and survivor annuity under section 354A.32 and computed under section 354A.31.

(b) If the member was under age 55 and has credit for at least 30 years of allowable service on the date of death, the surviving spouse may elect to receive a 100 percent joint and survivor annuity based on the age of the member and surviving spouse on the date of death. The annuity is payable using the full early retirement reduction under section 354A.31, subdivision 6, paragraph (a), to age 55 and one-half of the early retirement reduction from age 55 to the age payment begins.

(c) If a vested member of the Duluth Teachers Retirement Fund Association was under age 55 on the date of death but did not yet qualify for retirement, the surviving spouse may elect to receive the 100 percent joint and survivor annuity based on the age of the member and the survivor at the time of death. The annuity is payable using the full early retirement reduction under section 354A.31, subdivision 6 or 7, to age 55 and one-half of the early retirement reduction from age 55 to the date payment begins.

(d) If a vested member of the St. Paul Teachers Retirement Fund Association was under age 55 on the date of death but did not yet qualify for retirement, the surviving spouse may elect to receive the 100 percent joint and survivor annuity based on the age of the member and the survivor at the time of death. The annuity is payable using the full early retirement reduction under section 354A.31, subdivision 6 or 7, to age 55 and one-half of the actuarial equivalent reduction from age 55 to the date payment begins. The actuarial equivalent reduction is calculated so that the reduced annuity is the actuarial equivalent of the annuity that would be payable to the member if the member deferred receipt of the annuity and the annuity amount were augmented at an annual rate of 2.5 percent compounded annually from the day the annuity begins to accrue until the normal retirement age.

~~(d)~~ (e) Sections 354A.37, subdivision 2, and 354A.39 apply to a deferred annuity or surviving spouse benefit payable under this section. The benefits are payable for the life of the surviving spouse, or upon expiration of the term certain benefit payment under subdivision 2b.

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

Sec. 17. Minnesota Statutes 2012, section 356.215, subdivision 8, is amended to read:

Subd. 8. **Interest and salary assumptions.** (a) The actuarial valuation must use the applicable following preretirement interest assumption and the applicable following postretirement interest assumption:

(1) select and ultimate interest rate assumption

plan	ultimate preretirement interest rate assumption	ultimate postretirement interest rate assumption
general state employees retirement plan	8.5%	6.0%
correctional state employees retirement plan	8.5	6.0
State Patrol retirement plan	8.5	6.0
legislators retirement plan	0.0	-2.0 until June 30, 2040, and -2.5 after June 30, 2040
elective state officers retirement plan	0.0	-2.0 until June 30, 2040, and -2.5 after June 30, 2040
judges retirement plan	8.5	6.0
general public employees retirement plan	8.5	6.0
public employees police and fire retirement plan	8.5	6.0
local government correctional service retirement plan	8.5	6.0
teachers retirement plan	8.5	6.0
Duluth teachers retirement plan	8.5	8.5
St. Paul teachers retirement plan	8.5	8.5

Except for the legislators retirement plan and the elective state officers retirement plan, the select preretirement interest rate assumption for the period after June 30, 2012, through June 30, 2017, is 8.0 percent. Except for the legislators retirement plan and the elective state officers retirement plan, the select postretirement interest rate assumption for the period after June 30, 2012, through June 30, 2017, is 5.5 percent, except for the Duluth teachers retirement plan and the St. Paul teachers retirement plan, each with a select postretirement interest rate assumption for the period after June 30, 2012, through June 30, 2017, of 8.0 percent.

(2) single rate preretirement and postretirement interest rate assumption

plan	interest rate assumption
Bloomington Fire Department Relief Association	6.0
local monthly benefit volunteer firefighters relief associations	5.0

(b) The actuarial valuation must use the applicable following single rate future salary increase assumption, the applicable following modified single rate future salary increase assumption, or the applicable following graded rate future salary increase assumption:

(1) single rate future salary increase assumption

plan	future salary increase assumption
legislators retirement plan	5.0%
judges retirement plan	3.0
Bloomington Fire Department Relief Association	4.0

(2) age-related future salary increase age-related select and ultimate future salary increase assumption or graded rate future salary increase assumption

plan	future salary increase assumption
local government correctional service retirement plan	assumption C
Duluth teachers retirement plan	assumption A
St. Paul teachers retirement plan	assumption B

For plans other than the Duluth teachers retirement plan, the select calculation is: during the designated select period, a designated percentage rate is multiplied by the result of the designated integer minus T, where T is the number of completed years of service, and is added to the applicable future salary increase assumption. The designated select period is ten years and the designated integer is ten for ~~all retirement plans covered by this clause~~ the Duluth Teachers Retirement Fund Association and for the local government correctional service retirement plan and 15 for the St. Paul Teachers Retirement Fund Association. The designated percentage rate is ~~0.3~~ 0.2 percent for the St. Paul Teachers Retirement Fund Association. The select calculation for the Duluth Teachers Retirement Fund Association is 8.00 percent per year for service years one through seven, 7.25 percent per year for service years seven and eight, and 6.50 percent per year for service years eight and nine.

The ultimate future salary increase assumption is:

age	A	B	C
16	<del>8.00%</del> <u>6.00%</u>	<del>6.90%</del> <u>5.90%</u>	9.00%
17	<del>8.00</del> <u>6.00</u>	<del>6.90</del> <u>5.90</u>	9.00
18	<del>8.00</del> <u>6.00</u>	<del>6.90</del> <u>5.90</u>	9.00
19	<del>8.00</del> <u>6.00</u>	<del>6.90</del> <u>5.90</u>	9.00
20	<del>6.90</del> <u>6.00</u>	<del>6.90</del> <u>5.90</u>	9.00
21	<del>6.90</del> <u>6.00</u>	<del>6.90</del> <u>5.90</u>	8.75
22	<del>6.90</del> <u>6.00</u>	<del>6.90</del> <u>5.90</u>	8.50
23	<del>6.85</del> <u>6.00</u>	<del>6.85</del> <u>5.85</u>	8.25
24	<del>6.80</del> <u>6.00</u>	<del>6.80</del> <u>5.80</u>	8.00
25	<del>6.75</del> <u>6.00</u>	<del>6.75</del> <u>5.75</u>	7.75
26	<del>6.70</del> <u>6.00</u>	<del>6.70</del> <u>5.70</u>	7.50
27	<del>6.65</del> <u>6.00</u>	<del>6.65</del> <u>5.65</u>	7.25
28	<del>6.60</del> <u>6.00</u>	<del>6.60</del> <u>5.60</u>	7.00
29	<del>6.55</del> <u>6.00</u>	<del>6.55</del> <u>5.55</u>	6.75
30	<del>6.50</del> <u>6.00</u>	<del>6.50</del> <u>5.50</u>	6.75
31	<del>6.45</del> <u>6.00</u>	<del>6.45</del> <u>5.45</u>	6.50

32	<u>6.40</u> <u>6.00</u>	<u>6.40</u> <u>5.40</u>	6.50
33	<u>6.35</u> <u>6.00</u>	<u>6.35</u> <u>5.35</u>	6.50
34	<u>6.30</u> <u>6.00</u>	<u>6.30</u> <u>5.30</u>	6.25
35	<u>6.25</u> <u>6.00</u>	<u>6.25</u> <u>5.25</u>	6.25
36	<u>6.20</u> <u>5.86</u>	<u>6.20</u> <u>5.20</u>	6.00
37	<u>6.15</u> <u>5.73</u>	<u>6.15</u> <u>5.15</u>	6.00
38	<u>6.10</u> <u>5.59</u>	<u>6.10</u> <u>5.10</u>	6.00
39	<u>6.05</u> <u>5.45</u>	<u>6.05</u> <u>5.05</u>	5.75
40	<u>6.00</u> <u>5.31</u>	<u>6.00</u> <u>5.00</u>	5.75
41	<u>5.90</u> <u>5.18</u>	<u>5.95</u> <u>4.95</u>	5.75
42	<u>5.80</u> <u>5.04</u>	<u>5.90</u> <u>4.90</u>	5.50
43	<u>5.70</u> <u>4.90</u>	<u>5.85</u> <u>4.85</u>	5.25
44	<u>5.60</u> <u>4.76</u>	<u>5.80</u> <u>4.80</u>	5.25
45	<u>5.50</u> <u>4.63</u>	<u>5.75</u> <u>4.75</u>	5.00
46	<u>5.40</u> <u>4.49</u>	<u>5.70</u> <u>4.70</u>	5.00
47	<u>5.30</u> <u>4.35</u>	<u>5.65</u> <u>4.65</u>	5.00
48	<u>5.20</u> <u>4.21</u>	<u>5.60</u> <u>4.60</u>	5.00
49	<u>5.10</u> <u>4.08</u>	<u>5.55</u> <u>4.55</u>	5.00
50	<u>5.00</u> <u>3.94</u>	<u>5.50</u> <u>4.50</u>	5.00
51	<u>4.90</u> <u>3.80</u>	<u>5.45</u> <u>4.45</u>	5.00
52	<u>4.80</u> <u>3.66</u>	<u>5.40</u> <u>4.40</u>	5.00
53	<u>4.70</u> <u>3.53</u>	<u>5.35</u> <u>4.35</u>	5.00
54	<u>4.60</u> <u>3.39</u>	<u>5.30</u> <u>4.30</u>	5.00
55	<u>4.50</u> <u>3.25</u>	<u>5.25</u> <u>4.25</u>	4.75
56	<u>4.40</u> <u>3.25</u>	<u>5.20</u> <u>4.20</u>	4.75
57	<u>4.30</u> <u>3.25</u>	<u>5.15</u> <u>4.15</u>	4.50
58	<u>4.20</u> <u>3.25</u>	<u>5.10</u> <u>4.10</u>	4.25
59	<u>4.10</u> <u>3.25</u>	<u>5.05</u> <u>4.05</u>	4.25
60	<u>4.00</u> <u>3.25</u>	<u>5.00</u> <u>4.00</u>	4.25
61	<u>3.90</u> <u>3.25</u>	<u>5.00</u> <u>4.00</u>	4.25
62	<u>3.80</u> <u>3.25</u>	<u>5.00</u> <u>4.00</u>	4.25
63	<u>3.70</u> <u>3.25</u>	<u>5.00</u> <u>4.00</u>	4.25
64	<u>3.60</u> <u>3.25</u>	<u>5.00</u> <u>4.00</u>	4.25
65	<u>3.50</u> <u>3.25</u>	<u>5.00</u> <u>4.00</u>	4.00
66	<u>3.50</u> <u>3.25</u>	<u>5.00</u> <u>4.00</u>	4.00
67	<u>3.50</u> <u>3.25</u>	<u>5.00</u> <u>4.00</u>	4.00
68	<u>3.50</u> <u>3.25</u>	<u>5.00</u> <u>4.00</u>	4.00
69	<u>3.50</u> <u>3.25</u>	<u>5.00</u> <u>4.00</u>	4.00
70	<u>3.50</u> <u>3.25</u>	<u>5.00</u> <u>4.00</u>	4.00

## (3) service-related ultimate future salary increase assumption

general state employees retirement plan of the Minnesota State Retirement System  
 general employees retirement plan of the Public Employees Retirement Association  
 Teachers Retirement Association  
 public employees police and fire retirement plan  
 State Patrol retirement plan  
 correctional state employees retirement plan of the Minnesota State Retirement System

assumption A  
 assumption B  
 assumption C  
 assumption D  
 assumption E  
 assumption F

service length	A	B	C	D	E	F
1	10.50%	12.03%	12.00%	13.00%	8.00%	6.00%
2	8.10	8.90	9.00	11.00	7.50	5.85
3	6.90	7.46	8.00	9.00	7.00	5.70
4	6.20	6.58	7.50	8.00	6.75	5.55
5	5.70	5.97	7.25	6.50	6.50	5.40
6	5.30	5.52	7.00	6.10	6.25	5.25
7	5.00	5.16	6.85	5.80	6.00	5.10
8	4.70	4.87	6.70	5.60	5.85	4.95
9	4.50	4.63	6.55	5.40	5.70	4.80
10	4.40	4.42	6.40	5.30	5.55	4.65
11	4.20	4.24	6.25	5.20	5.40	4.55
12	4.10	4.08	6.00	5.10	5.25	4.45
13	4.00	3.94	5.75	5.00	5.10	4.35
14	3.80	3.82	5.50	4.90	4.95	4.25
15	3.70	3.70	5.25	4.80	4.80	4.15
16	3.60	3.60	5.00	4.80	4.65	4.05
17	3.50	3.51	4.75	4.80	4.50	3.95
18	3.50	3.50	4.50	4.80	4.35	3.85
19	3.50	3.50	4.25	4.80	4.20	3.75
20	3.50	3.50	4.00	4.80	4.05	3.75
21	3.50	3.50	3.90	4.70	4.00	3.75
22	3.50	3.50	3.80	4.60	4.00	3.75
23	3.50	3.50	3.70	4.50	4.00	3.75
24	3.50	3.50	3.60	4.50	4.00	3.75
25	3.50	3.50	3.50	4.50	4.00	3.75
26	3.50	3.50	3.50	4.50	4.00	3.75
27	3.50	3.50	3.50	4.50	4.00	3.75
28	3.50	3.50	3.50	4.50	4.00	3.75
29	3.50	3.50	3.50	4.50	4.00	3.75
30 or more	3.50	3.50	3.50	4.50	4.00	3.75

(c) The actuarial valuation must use the applicable following payroll growth assumption for calculating the amortization requirement for the unfunded actuarial accrued liability where the amortization retirement is calculated as a level percentage of an increasing payroll:

plan	payroll growth assumption
general state employees retirement plan of the Minnesota State Retirement System	3.75%
correctional state employees retirement plan	3.75
State Patrol retirement plan	3.75
judges retirement plan	3.00
general employees retirement plan of the Public Employees Retirement Association	3.75
public employees police and fire retirement plan	3.75
local government correctional service retirement plan	3.75
teachers retirement plan	3.75
Duluth teachers retirement plan	<del>4.50</del> 3.50
St. Paul teachers retirement plan	<del>5.00</del> 4.00



(d) The assumptions set forth in paragraphs (b) and (c) continue to apply, unless a different salary assumption or a different payroll increase assumption:

(1) has been proposed by the governing board of the applicable retirement plan;

(2) is accompanied by the concurring recommendation of the actuary retained under section 356.214, subdivision 1, if applicable, or by the approved actuary preparing the most recent actuarial valuation report if section 356.214 does not apply; and

(3) has been approved or deemed approved under subdivision 18.

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

Sec. 18. Minnesota Statutes 2012, section 356.47, subdivision 1, is amended to read:

Subdivision 1. **Application.** (a) This section applies to the balance of annual retirement annuities on the amount of retirement annuity reductions after reemployed annuitant earnings limitations for retirement plans governed by section 352.115, subdivision 10; 353.37; 354.44, subdivision 5; or 354A.31, subdivision 3.

(b) This section also applies to the balance of annual retirement annuities on the amount of retirement annuity reductions under section 354A.31, subdivision 3, for members of the Duluth Teachers Retirement Fund Association whose effective date of retirement is before July 1, 2013.

(c) This section also applies to the balance of annual retirement annuities on the amount of retirement annuity reductions under section 354A.31, subdivision 3, for members of the St. Paul Teachers Retirement Fund Association whose effective date of retirement is before July 1, 2013.

**EFFECTIVE DATE.** This section is effective with respect to the Duluth Teachers Retirement Fund Association on July 1, 2013, and is effective with respect to the St. Paul Teachers Retirement Fund Association the day following final enactment.

Sec. 19. Minnesota Statutes 2012, section 423A.02, subdivision 5, is amended to read:

Subd. 5. **Termination of state aid programs.** The amortization state aid, ~~supplemental amortization state aid,~~ and additional amortization state aid programs terminate as of the December 31, next following the date of the actuarial valuation when the assets of the St. Paul Teachers Retirement Fund Association equal the actuarial accrued liability of that plan or ~~December 31, 2009~~ when the assets of the Duluth Teachers Retirement Fund Association equal the actuarial accrued liability of that plan, whichever is later.

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

Sec. 20. **DULUTH TEACHERS RETIREMENT FUND ASSOCIATION BYLAW AMENDMENT AUTHORIZATION.**

Consistent with Minnesota Statutes, section 354A.12, subdivision 4, the Duluth Teachers Retirement Fund Association is authorized to amend its articles of incorporation or its bylaws to specify the revised contribution rates under sections 3 and 4, required employee contributions on behalf of reemployed annuitants as specified under section 5, and revised treatment of reemployed annuitant holding accounts under sections 12 and 18.

**EFFECTIVE DATE.** This section is effective July 1, 2013.

Sec. 21. **ST. PAUL TEACHERS RETIREMENT FUND ASSOCIATION BYLAW AMENDMENT AUTHORIZATION.**

Consistent with Minnesota Statutes, section 354A.12, subdivision 4, the St. Paul Teachers Retirement Fund Association is authorized to amend its articles of incorporation or its bylaws to apply the reduction factors stated in section 15 rather than the actuarial reduction factors previously authorized.

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

Sec. 22. **CONSOLIDATION STUDY.**

The boards and executive directors of the Duluth Teachers Retirement Fund Association, the St. Paul Teachers Retirement Fund Association, and the Teachers Retirement Association shall jointly study and develop a report on the feasibility and requirements necessary for the consolidation of the Duluth Teachers Retirement Fund Association and the St. Paul Teachers Retirement Fund Association into the Teachers Retirement Association. The report shall include detailed actuarial analysis that will define the financial requirements for consolidating with the Teachers Retirement Association in a manner, consistent with past practice, that assures that the assets of the Teachers Retirement Association are protected, that the merging funds are fully funded, and that the Teachers Retirement Association is not subsidizing the merged funds. The report shall include implementation plans, proposed allocation of costs between the state and all interested parties, time frames sufficient for an orderly transition, necessary management and administrative changes, asset investment related considerations, and education and communication plans to fully inform the executive branch, the legislative branch, and all system stakeholders of financial requirements. The report shall include plans to treat the employees of the Duluth Teachers Retirement Fund Association and the St. Paul Teachers Retirement Fund Association in a manner comparable to that provided to the former employees of the former Minneapolis Teachers Retirement Fund Association upon consolidation into the Teachers Retirement Fund Association. The boards and executive directors shall consult with the executive director of the State Board of Investment on investment management transition issues. The report must be submitted to the Legislative Commission on Pensions and Retirement by January 6, 2014.

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

Sec. 23. **FY2014-2015 BIENNIUM DTRFA AND SPTRFA ADDITIONAL DIRECT STATE AID.**

On October 1, 2013, and on October 1, 2014, the commissioner of management and budget shall pay \$6,000,000 to the Duluth Teachers Retirement Fund Association and \$7,000,000 to the St. Paul Teachers Retirement Fund Association. The required amounts are appropriated annually from the general fund to the commissioner of management and budget.

**EFFECTIVE DATE.** This section is effective July 1, 2013, and expires the day following the day on which the July 1, 2014-June 30, 2015, payments are made.

Sec. 24. **REPEALER.**

Minnesota Statutes 2012, section 354A.27, subdivision 6, is repealed.

ARTICLE 14  
JUDGES RETIREMENT PLAN FINANCIAL SOLVENCY MEASURES

Section 1. Minnesota Statutes 2012, section 356.315, is amended by adding a subdivision to read:

**Subd. 8a. Judges plan.** The applicable benefit accrual rate is 2.5 percent.

**EFFECTIVE DATE.** This section is effective July 1, 2013.

Sec. 2. Minnesota Statutes 2012, section 356.415, subdivision 1, is amended to read:

Subdivision 1. **Annual postretirement adjustments; generally.** (a) Except as otherwise provided in subdivision 1a, 1b, 1c, 1d, ~~or 1e~~, or 1f, retirement annuity, disability benefit, or survivor benefit recipients of a covered retirement plan are entitled to a postretirement adjustment annually on January 1, as follows:

(1) a postretirement increase of 2.5 percent must be applied each year, effective January 1, to the monthly annuity or benefit of each annuitant or benefit recipient who has been receiving an annuity or a benefit for at least 12 full months prior to the January 1 increase; and

(2) for each annuitant or benefit recipient who has been receiving an annuity or a benefit amount for at least one full month, an annual postretirement increase of 1/12 of 2.5 percent for each month that the person has been receiving an annuity or benefit must be applied, effective on January 1 following the calendar year in which the person has been retired for less than 12 months.

(b) The increases provided by this subdivision commence on January 1, 2010.

(c) An increase in annuity or benefit payments under this section must be made automatically unless written notice is filed by the annuitant or benefit recipient with the executive director of the covered retirement plan requesting that the increase not be made.

(d) The retirement annuity payable to a person who retires before becoming eligible for Social Security benefits and who has elected the optional payment as provided in section 353.29, subdivision 6, must be treated as the sum of a period certain retirement annuity and a life retirement annuity for the purposes of any postretirement adjustment. The period certain retirement annuity plus the life retirement annuity must be the annuity amount payable until age 62 for section 353.29, subdivision 6. A postretirement adjustment granted on the period certain retirement annuity must terminate when the period certain retirement annuity terminates.

**EFFECTIVE DATE.** This section is effective July 1, 2013.

Sec. 3. Minnesota Statutes 2012, section 356.415, is amended by adding a subdivision to read:

**Subd. 1f. Annual postretirement adjustments; Minnesota State Retirement System judges retirement plan.**

(a) The increases provided under this subdivision begin on January 1, 2014, and are in lieu of increases under subdivision 1 or 1a for retirement annuity, disability benefit, or survivor benefit recipients of the judges retirement plan.

(b) Retirement annuity, disability benefit, or survivor benefit recipients of the judges retirement plan are entitled to a postretirement adjustment annually on January 1, as follows:

(1) a postretirement increase of 1.75 percent must be applied each year, effective on January 1, to the monthly annuity or benefit of each annuitant or benefit recipient who has been receiving an annuity or a benefit for at least 18 full months before the January 1 increase; and

(2) for each annuitant or benefit recipient who has been receiving an annuity or a benefit for at least six full months, an annual postretirement increase of 1/12 of 1.75 percent for each month that the person has been receiving an annuity or benefit must be applied, effective January 1, following the calendar year in which the person has been retired for at least six months, but has been retired for less than 18 months.

(c) Increases under this subdivision terminate on December 31 of the calendar year in which the actuarial valuation prepared by the approved actuary under sections 356.214 and 356.215 and the standards for actuarial work promulgated by the Legislative Commission on Pensions and Retirement indicates that the market value of assets of the judges retirement plan equals or exceeds 70 percent of the actuarial accrued liability of the retirement plan. Increases under subdivision 1 or 1a, whichever is applicable, begin on the January 1 next following that date.

(d) An increase in annuity or benefit payments under this subdivision must be made automatically unless written notice is filed by the annuitant or benefit recipient with the executive director of the applicable covered retirement plan requesting that the increase not be made.

**EFFECTIVE DATE.** This section is effective July 1, 2013.

Sec. 4. Minnesota Statutes 2012, section 490.121, subdivision 21f, is amended to read:

Subd. 21f. **Normal retirement date.** (a) For a judge in the tier I program, "normal retirement date" means the date a ~~the~~ judge attains ~~the~~ age of 65.

(b) For a judge in the tier II program, normal retirement date means the date the judge attains age 66.

**EFFECTIVE DATE.** This section is effective July 1, 2013.

Sec. 5. Minnesota Statutes 2012, section 490.121, subdivision 22, is amended to read:

Subd. 22. **Service credit limit.** "Service credit limit" means, for a judge covered by tier I, the greater of: (1) 24 years of allowable service under this chapter; or (2), for ~~judges a judge~~ with allowable service rendered before July 1, 1980, the number of years of allowable service under chapter 490, which, when multiplied by the percentage listed in section 356.315, subdivision 7 or 8, whichever is applicable to each year of service, equals 76.8. ~~For a judge covered by tier II, there is no service credit limit.~~

**EFFECTIVE DATE.** This section is effective July 1, 2013.

Sec. 6. Minnesota Statutes 2012, section 490.121, is amended by adding a subdivision to read:

Subd. 25. **Tier I.** "Tier I" is the benefit program of the retirement plan with a membership specified by section 490.1221, paragraph (b), and governed by sections 356.315, subdivisions 7 and 8; 356.415, subdivisions 1 and 1f; and 490.121 to 490.133, except as modified in sections 356.315, subdivision 8a; 490.121, subdivision 21f, paragraph (b); 490.1222; 490.123, subdivision 1a, paragraph (b); and 490.124, subdivision 1, paragraphs (c) and (d).

**EFFECTIVE DATE.** This section is effective July 1, 2013.

Sec. 7. Minnesota Statutes 2012, section 490.121, is amended by adding a subdivision to read:

Subd. 26. **Tier II.** "Tier II" is the benefit program of the retirement plan with a membership specified by section 490.1221, paragraph (c), and governed by sections 356.315, subdivision 8a; 356.415, subdivisions 1 and 1f; 490.121 to 490.133, as modified in section 490.121, subdivision 21f, paragraph (b); 490.1222; 490.123, subdivision 1a, paragraph (b); and 490.124, subdivision 1, paragraphs (c) and (d).

**EFFECTIVE DATE.** This section is effective July 1, 2013.

Sec. 8. **[490.1221] JUDGES PLAN PROGRAMS.**

(a) Members of the judges retirement plan are members of either the tier I or tier II program.

(b) A tier I program judge is a person who was first appointed or elected as a judge before July 1, 2013, who was not eligible for the tier II program because the judge had five or more years of allowable service on or before December 30, 2013, or did not elect that program.

(c) A tier II program judge is a person who:

(1) was first appointed or elected as a judge after June 30, 2013; or

(2) was first appointed or elected as a judge before July 1, 2013, had less than five years of allowable service on or before December 30, 2013, and made an election under section 14 to be in the tier II program.

**EFFECTIVE DATE.** This section is effective July 1, 2013.

Sec. 9. **[490.1222] APPLICATION OF SERVICE CREDIT LIMIT.**

The service credit limit specified in section 490.121, subdivision 22, does not apply to a judge in the tier II program.

**EFFECTIVE DATE.** This section is effective July 1, 2013.

Sec. 10. Minnesota Statutes 2012, section 490.123, subdivision 1a, is amended to read:

Subd. 1a. **Member contribution rates.** (a) A judge ~~who is covered by the federal Old Age, Survivors, Disability, and Health Insurance Program and in the tier I program~~ whose service does not exceed the service credit limit in section 490.121, subdivision 22, shall contribute to the fund from each salary payment a sum equal to ~~8.00~~ 9.00 percent of salary.

(b) A judge in the tier II program shall contribute to the fund from each salary payment a sum equal to 7.00 percent of salary.

~~(b) The contribution~~(c) Contributions under this subdivision ~~is~~ are payable by salary deduction. The deduction must be made by the state court administrator under section 352.04, subdivisions 4, 5, and 8.

**EFFECTIVE DATE.** This section is effective beginning on the first day of the first full payroll period following an increase in judicial salaries of at least one percent due to action by the legislature during calendar year 2013 or later.

Sec. 11. Minnesota Statutes 2012, section 490.123, subdivision 1b, is amended to read:

Subd. 1b. **Employer contribution rate.** (a) The employer contribution rate to the fund on behalf of a judge is ~~20.5~~ 22.5 percent of salary. The employer obligation continues after a judge exceeds the service credit limit in section 490.121, subdivision 22.

(b) The employer contribution must be paid by the state court administrator. The employer contribution is payable at the same time as member contributions are made under subdivision 1a or as employee contributions are made to the unclassified program governed by chapter 352D for judges whose service exceeds the limit in section 490.121, subdivision 22, are remitted.

**EFFECTIVE DATE.** This section is effective the first day of the first full payroll period after June 30, 2013.

Sec. 12. Minnesota Statutes 2012, section 490.124, subdivision 1, is amended to read:

Subdivision 1. **Basic Retirement annuity.** (a) Except as qualified hereinafter from and after the mandatory retirement date, the normal retirement date, the early retirement date, or one year from the disability retirement date, as the case may be, a retiring judge is eligible to receive a retirement annuity from the judges' retirement fund.

(b) For a tier I program judge, the retirement annuity is an amount equal to:

(1) the percent specified in section 356.315, subdivision 7, multiplied by the judge's final average compensation with that result then multiplied by the number of years and fractions of years of allowable service rendered before July 1, 1980; plus

(2) the percent specified in section 356.315, subdivision 8, multiplied by the judge's final average compensation with that result then multiplied by the number of years and fractions of years of allowable service rendered after June 30, 1980.

(c) For a tier II program judge who was first appointed or elected as a judge before July 1, 2013, the retirement annuity is an amount equal to:

(1) the percent specified in section 356.315, subdivision 8, multiplied by the judge's final average compensation with that result then multiplied by the number of years and fractions of years of allowable service rendered before January 1, 2014; plus

(2) the percentage specified in section 356.315, subdivision 8a, multiplied by the judge's final average compensation with that result then multiplied by the number of years and fractions of years of allowable service rendered after December 31, 2013.

(d) For a tier II program judge who was first appointed or elected as a judge after June 30, 2013, the retirement annuity is an amount equal to the percent specified in section 356.315, subdivision 8a, multiplied by the judge's final average compensation with that result then multiplied by the number of years and fractions of years of allowable service.

(e) For a judge in the tier I program, service that exceeds the service credit limit in section 490.121, subdivision 22, must be excluded in calculating the retirement annuity, but the compensation earned by the judge during this period of judicial service must be used in determining a judge's final average compensation and calculating the retirement annuity.

**EFFECTIVE DATE.** This section is effective July 1, 2013.

Sec. 13. **MEMBER CONTRIBUTION INCREASE CONDITION.**

Any increase in judicial salaries enacted by the legislature during calendar year 2013 or later is not applicable to a judge in the tier I program if the member contribution rate applicable to that judge in the tier I program under Minnesota Statutes, section 490.123, subdivision 1a, is not deducted from the salary of the judge.

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

Sec. 14. **TIER II PROGRAM ELECTION; PRE-JULY 1, 2013, JUDGES.**

Subdivision 1. **Authority.** A person who was first appointed or elected as a judge covered by the Minnesota State Retirement System judges retirement plan before July 1, 2013, is eligible to elect treatment as a tier II program judge if the judge has less than five years of allowable service on the date the judge makes a valid election under subdivision 2.

Subd. 2. **Election procedure.** An eligible judge under subdivision 1 may elect to be subject to the provisions of Minnesota Statutes, chapter 490, applicable to a tier II program judge rather than the tier I program by electing that treatment in writing before January 1, 2014, on a form provided by the executive director of the Minnesota State Retirement System.

Subd. 3. **Effect of election.** (a) The election is irrevocable.

(b) An eligible judge who fails to make an election remains in the tier I program.

(c) If the tier II program is elected by an eligible judge, member contributions based on revised member contribution rates under Minnesota Statutes, section 490.123, subdivision 1a, begin on the first day of the first full pay period occurring after January 1, 2014.

**EFFECTIVE DATE.** This section is effective July 1, 2013.

ARTICLE 15  
MISCELLANEOUS PROVISIONS

Section 1. Minnesota Statutes 2012, section 356.91, is amended to read:

**356.91 VOLUNTARY MEMBERSHIP DUES DEDUCTION.**

(a) Upon written authorization of a person receiving an annuity from a public pension fund administered by the Minnesota State Retirement System or the Public Employees Retirement Association, the executive director of the public pension fund ~~may~~ shall deduct from the retirement annuity an amount requested by the annuitant to be paid as membership dues or other payments to any labor organization that is an exclusive bargaining agent representing public employees or an organization representing retired public employees of which the annuitant is a member and shall, on a monthly basis, pay the amount to the organization so designated by the annuitant.

(b) A pension fund and the plan fiduciaries which authorize or administer deductions of dues payments under paragraph (a) are not liable for failure to properly deduct or transmit the dues amounts, provided that the fund and the fiduciaries have acted in good faith.

~~(c) The deductions under paragraph (a) may occur no more frequently than two times per year and may not be used for political purposes. Any labor organization that is an exclusive bargaining agent representing public employees or an organization representing retired public employees may conduct blind mailings to the annuitants of a retirement system specified in paragraph (a) by requesting that the retirement system mail voluntary membership information and dues deduction cards to annuitants. Such mailings shall not be for the purpose of supporting or opposing any candidate, political party, or ballot measure. The organization requesting the blind mailing shall pay all costs associated with these mailings, including but not limited to copying, labeling, mailing, postage, and record keeping. In lieu of administering a blind mailing in-house, a retirement system may transmit annuitant data necessary for conducting a blind mailing to a mail center pursuant to a secure data share agreement with the mail center which provides that neither the organization nor any other entity shall have direct access to the data transmitted by the retirement system. The retirement system shall have no obligation to approve or disapprove, or otherwise be responsible for, the content of the mailings. No organization shall conduct more than two blind mailings per calendar year.~~

~~(d) Any labor organization specified in paragraph (a) shall reimburse the public pension fund for the administrative expense of withholding premium amounts.~~

ARTICLE 16  
APPROPRIATIONS

Section 1. **PUBLIC SAFETY; APPROPRIATIONS.**

The following amounts are appropriated to the Department of Public Safety for the increased employer contribution in section 3:

(1) \$95,000 in fiscal year 2015 is appropriated from the general fund. The general fund base appropriation for fiscal year 2017 is \$189,000;

(2) \$546,000 in fiscal year 2015 is appropriated from the trunk highway fund. The trunk highway fund base appropriation for fiscal year 2017 is \$1,093,000; and

(3) \$8,000 in fiscal year 2015 is appropriated from the highway user tax distribution fund. The highway user tax distribution fund base appropriation for fiscal year 2017 is \$16,000."

Delete the title and insert:

"A bill for an act relating to retirement; modifying State Board of Investment provisions; MSRS administrative provisions; PERA administrative provisions; benefit accrual rate specification; revisions and repeals of former local police and paid firefighter relief association laws; volunteer firefighter retirement changes; one person and small group retirement changes; miscellaneous provisions; state patrol retirement plan financial solvency measures; PERA plans salary definitions; public employees police and fire retirement plan financial solvency measures; Teachers Retirement Association early retirement reduction factors; first class city teacher retirement increases and financial solvency measures; judges retirement plan financial solvency measures; requiring reports; appropriating money; amending Minnesota Statutes 2012, sections 3.85, subdivision 10; 3A.011; 3A.03, subdivision 3; 3A.07; 3A.115; 3A.13; 3A.15; 6.495, subdivisions 1, 3; 6.67; 11A.24, subdivision 1; 13D.01, subdivision 1; 69.011, subdivisions 1, 2, 3, 4; 69.021, subdivisions 1, 2, 3, 4, 5, 7, 7a, 8, 9, 10, 11; 69.031, subdivisions 1, 3, 5; 69.041; 69.051, subdivisions 1, 1a, 1b, 2, 3, 4; 69.33; 69.77, subdivisions 1, 2, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13; 69.771, subdivision 1; 69.774, subdivision 1; 69.80; 275.70, subdivision 5; 297I.10, subdivision 1; 345.381; 352.01, subdivisions 2a, 17b; 352.029, subdivisions 1, 2a, 2b, 3, 5; 352.03, subdivisions 4, 8; 352.045, by adding subdivisions; 352.113, subdivisions 4, 6, 8, by adding subdivisions; 352.115, subdivision 3; 352.22, subdivision 3; 352.87, subdivision 3; 352.93, subdivision 2; 352.95, subdivision 1; 352.955, subdivisions 1, 3; 352B.011, subdivisions 4, 13; 352B.02, subdivisions 1a, 1c; 352B.08, subdivisions 1, 2, 2a; 352B.10, subdivisions 1, 5, by adding a subdivision; 352B.11, subdivisions 1, 2b; 352D.04, subdivision 2; 353.01, subdivisions 2a, 2b, 6, 10, 16, 17a, 29, 41, 47; 353.03, subdivision 3; 353.031, subdivision 4; 353.27, subdivision 7; 353.29, subdivision 3; 353.34, subdivisions 1, 2; 353.35, subdivision 1; 353.50, subdivisions 3, 6; 353.64, subdivision 1a; 353.65, subdivisions 2, 3; 353.651, subdivisions 3, 4; 353.656, subdivisions 1, 1a, 3a; 353.657, subdivisions 2, 2a, 3, 3a; 353.659; 353.665, subdivisions 1, 5, 8, by adding a subdivision; 353.71, subdivision 1; 353E.001, subdivision 1; 353E.04, subdivision 3; 353E.06, subdivision 1; 353F.02, subdivisions 3, 4, 6, by adding a subdivision; 353F.025, subdivisions 1, 2; 353F.03; 353F.04; 353F.05; 353F.051, subdivision 1; 353F.052; 353F.06; 353F.07; 353F.08; 353G.05, subdivision 2; 354.07, subdivision 1; 354.44, subdivision 6; 354A.011, subdivision 21; 354A.021, subdivision 2; 354A.12, subdivisions 1, 2a, 3a, 3c, 7, by adding subdivisions; 354A.27, subdivision 7, by adding a subdivision; 354A.31, subdivisions 3, 4, 4a, 7; 354A.35, subdivision 2; 356.20, subdivisions 2, 4; 356.214, subdivision 1; 356.215, subdivisions 1, 8, 18; 356.216; 356.219, subdivisions 1, 2, 8; 356.30, subdivisions 1, 3; 356.315, subdivision 9, by adding a subdivision; 356.401, subdivision 3; 356.406, subdivision 1; 356.415, subdivisions 1, 1a, 1b, 1c, 1e, 2, by adding a subdivision; 356.47, subdivision 1; 356.48, subdivision 1; 356.635, subdivision 1; 356.91; 356A.01, subdivision 19; 356A.06, subdivision 4; 356A.07, subdivision 2; 423A.02, subdivisions 1, 1b, 2, 3, 3a, 4, 5; 424A.001, subdivision 4, by adding a subdivision; 424A.01, subdivision 6; 424A.015, subdivisions 1, 4; 424A.016, subdivision 6; 424A.02, subdivisions 7, 9; 424A.10, subdivisions 1, 2; 475.52, subdivision 6; 490.121, subdivisions 21f, 22, by adding subdivisions; 490.123, subdivisions 1a, 1b; 490.124, subdivision 1; proposing coding for new law in Minnesota Statutes, chapters 3A; 6; 353F; 354; 356; 490; repealing Minnesota Statutes 2012, sections 3A.02, subdivision 3; 69.021, subdivision 6; 69.77, subdivision 3; 352.045, subdivisions 3, 4; 352.955, subdivision 2; 352B.11, subdivision 2c; 352C.001; 352C.091, subdivision 1; 352C.10; 353.29, subdivision 6; 353.64, subdivision 3; 353.665, subdivisions 2, 3, 4, 6, 7, 9, 10; 353.667; 353.668; 353.669; 353.6691; 353A.01; 353A.02; 353A.03; 353A.04; 353A.05; 353A.06; 353A.07; 353A.08; 353A.081; 353A.083; 353A.09; 353A.10; 353B.01; 353B.02; 353B.03; 353B.04; 353B.05; 353B.06; 353B.07; 353B.08; 353B.09; 353B.10; 353B.11; 353B.12; 353B.13; 353B.14; 353F.02, subdivisions 4, 5; 353F.025, subdivision 3; 354A.27, subdivision 6; 356.315, subdivisions 1, 1a, 2, 2a, 2b, 3, 4, 5, 5a, 6, 7, 8; 423A.01; 423A.02, subdivision 1a; 423A.04; 423A.05; 423A.07; 423A.10; 423A.11; 423A.12; 423A.13; 423A.14; 423A.15; 423A.16; 423A.17; 423A.171; 423A.18; 423A.19; 423A.20; 423A.21; 423A.22; 424A.10, subdivision 5."



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

Senate Conferees: SANDRA L. PAPPAS, ROGER J. REINERT and TOM SAXHAUG.

House Conferees: MARY MURPHY, MICHAEL V. NELSON and GREG DAVIDS.

Murphy, M., moved that the report of the Conference Committee on S. F. No. 489 be adopted and that the bill be repassed as amended by the Conference Committee.

A roll call was requested and properly seconded.

The question was taken on the Murphy, M., motion and the roll was called. There were 78 yeas and 51 nays as follows:

Those who voted in the affirmative were:

Abeler	Davnie	Hansen	Lien	Mullery	Sawatzky
Allen	Dehn, R.	Hausman	Lillie	Murphy, E.	Schoen
Anderson, P.	Dill	Hilstrom	Loeffler	Murphy, M.	Selcer
Anzelc	Dorholt	Hortman	Mahoney	Nelson	Simon
Atkins	Erhardt	Huntley	Mariani	Newton	Simonson
Benson, J.	Erickson, R.	Isaacson	Marquart	Norton	Slocum
Bernardy	Falk	Johnson, C.	Masin	Paymar	Sundin
Bly	Faust	Johnson, S.	McNamar	Pelowski	Wagenius
Brynaert	Freiberg	Kahn	McNamara	Persell	Ward, J.A.
Carlson	Fritz	Laine	Melin	Poppe	Ward, J.E.
Clark	Gunther	Lenczewski	Metsa	Radinovich	Winkler
Cornish	Halverson	Lesch	Moran	Rosenthal	Yarusso
Dauids	Hamilton	Liebling	Morgan	Savick	Spk. Thissen

Those who voted in the negative were:

Albright	Drazkowski	Hertaus	Leidiger	Pugh	Uglen
Anderson, M.	Erickson, S.	Holberg	Lohmer	Quam	Urdahl
Anderson, S.	Fabian	Hoppe	Loon	Runbeck	Wills
Barrett	FitzSimmons	Howe	Mack	Sanders	Woodard
Beard	Franson	Johnson, B.	Newberger	Schomacker	Zellers
Benson, M.	Garofalo	Kelly	O'Driscoll	Scott	Zerwas
Daudt	Green	Kieffer	O'Neill	Swedzinski	
Dean, M.	Gruenhagen	Kiel	Peppin	Theis	
Dettmer	Hackbarth	Kresha	Petersburg	Torkelson	

The motion prevailed.

S. F. No. 489, A bill for an act relating to retirement; Minnesota State Retirement System, Public Employees Retirement Association, and former local police and paid firefighter relief associations; authorizing investments in swaps; clarifying language; removing obsolete language; revising outdated requirements; revising contribution rate revision procedures; revising disability standards and disability benefit administration procedures; merging the

elected state officers retirement plan into the legislators retirement plan; revising pension commission standards provision; revising pension plan financial report contents provision; clarifying coverage of student employees and extending duration of excluded work-study positions; revising military service credit purchase provision for consistency with federal code; clarifying average salary for benefit purposes; clarifying MERF division benefit eligibility; adding Lake County Sunrise Home to privatization chapter; removing legislative approval requirements for privatizations; modifying legislative notification requirements for privatizations; clarifying privatized public hospital pension benefit eligibility; making various administrative changes; eliminating the PERA Social Security leveling optional annuity; revising and repealing various statutes to reflect the recent mergers of local police and salaried firefighter relief associations and consolidation accounts with the public employees police and fire retirement plan; streamlining amortization state aid programs; extending the deadline for participation in the voluntary statewide lump-sum volunteer firefighter retirement plan; requiring municipal approval for deferred service pension interest rate changes by volunteer firefighter relief association boards of trustees; authorizing a resumption of the payment of a death benefit to estates of certain White Bear Lake volunteer firefighter relief association retirees; including Minnesota Association of Professional Employees in MSRS-General plan coverage; authorizing the termination of nonspousal survival designations in optional annuity form elections in certain instances; authorizing certain service credit purchases; providing instructions to the revisor of statutes; amending Minnesota Statutes 2012, sections 3.85, subdivision 10; 3A.011; 3A.03, subdivision 3; 3A.07; 3A.115; 3A.13; 3A.15; 6.495, subdivisions 1, 3; 6.67; 11A.24, subdivision 1; 13D.01, subdivision 1; 69.011, subdivisions 1, 2, 3, 4; 69.021, subdivisions 1, 2, 3, 4, 5, 7, 7a, 8, 9, 10, 11; 69.031, subdivisions 1, 3, 5; 69.041; 69.051, subdivisions 1, 1a, 1b, 2, 3, 4; 69.33; 69.77, subdivisions 1, 2, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13; 69.771, subdivision 1; 69.774, subdivision 1; 69.80; 275.70, subdivision 5; 297I.10, subdivision 1; 345.381; 352.01, subdivisions 2a, 17b; 352.029, subdivisions 1, 2a, 2b, 3, 5; 352.03, subdivisions 4, 8; 352.045, by adding subdivisions; 352.113, subdivisions 4, 6, 8, by adding subdivisions; 352.115, subdivision 3; 352.22, subdivision 3; 352.87, subdivision 3; 352.93, subdivision 2; 352.95, subdivision 1; 352.955, subdivisions 1, 3; 352B.011, subdivision 13; 352B.08, subdivision 2; 352B.10, subdivision 1, by adding a subdivision; 352D.04, subdivision 2; 353.01, subdivisions 2a, 2b, 6, 10, 16, 17a, 29; 353.03, subdivision 3; 353.27, subdivision 7; 353.29, subdivision 3; 353.34, subdivisions 1, 2; 353.50, subdivisions 3, 6; 353.64, subdivision 1a; 353.651, subdivision 3; 353.656, subdivisions 1, 1a, 3a; 353.657, subdivisions 2, 2a, 3; 353.659; 353.665, subdivisions 1, 5, 8; 353.71, subdivision 1; 353E.04, subdivision 3; 353E.06, subdivision 1; 353F.02, subdivisions 3, 4, 6, by adding a subdivision; 353F.025, subdivisions 1, 2; 353F.03; 353F.04; 353F.05; 353F.051, subdivision 1; 353F.052; 353F.06; 353F.07; 353F.08; 353G.05, subdivision 2; 354.07, subdivision 1; 354.44, subdivision 6; 354A.021, subdivision 2; 354A.31, subdivisions 4, 4a; 356.20, subdivisions 2, 4; 356.214, subdivision 1; 356.215, subdivisions 1, 8, 18; 356.216; 356.219, subdivisions 1, 2, 8; 356.30, subdivisions 1, 3; 356.315, subdivision 9; 356.401, subdivision 3; 356.406, subdivision 1; 356.415, subdivisions 1, 1a, 1b, 2; 356.48, subdivision 1; 356.635, subdivision 1; 356A.01, subdivision 19; 356A.06, subdivision 4; 356A.07, subdivision 2; 423A.02, subdivisions 1, 1b, 2, 3, 3a, 4, 5; 424A.001, subdivision 4, by adding a subdivision; 424A.01, subdivision 6; 424A.015, subdivisions 1, 4; 424A.016, subdivision 6; 424A.02, subdivisions 7, 9; 424A.10, subdivisions 1, 2; 475.52, subdivision 6; 490.121, subdivision 22; 490.124, subdivision 1; proposing coding for new law in Minnesota Statutes, chapters 3A; 6; 353F; 356; repealing Minnesota Statutes 2012, sections 3A.02, subdivision 3; 69.021, subdivision 6; 69.77, subdivision 3; 352.955, subdivision 2; 352C.001; 352C.091, subdivision 1; 352C.10; 353.29, subdivision 6; 353.64, subdivision 3; 353.665, subdivisions 2, 3, 4, 6, 7, 9, 10; 353.667; 353.668; 353.669; 353.6691; 353A.01; 353A.02; 353A.03; 353A.04; 353A.05; 353A.06; 353A.07; 353A.08; 353A.081; 353A.083; 353A.09; 353A.10; 353B.01; 353B.02; 353B.03; 353B.04; 353B.05; 353B.06; 353B.07; 353B.08; 353B.09; 353B.10; 353B.11; 353B.12; 353B.13; 353B.14; 353F.02, subdivisions 4, 5; 353F.025, subdivision 3; 356.315, subdivisions 1, 1a, 2, 2a, 2b, 3, 4, 5, 5a, 6, 7, 8; 423A.01; 423A.02, subdivision 1a; 423A.04; 423A.05; 423A.07; 423A.10; 423A.11; 423A.12; 423A.13; 423A.14; 423A.15; 423A.16; 423A.17; 423A.171; 423A.18; 423A.19; 423A.20; 423A.21; 423A.22; 424A.10, subdivision 5.

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

The question was taken on the repassage of the bill and the roll was called. There were 78 yeas and 53 nays as follows:

Those who voted in the affirmative were:

Abeler	Dehn, R.	Hansen	Lien	Mullery	Sawatzky
Allen	Dill	Hausman	Lillie	Murphy, E.	Schoen
Anzelc	Dorholt	Hilstrom	Loeffler	Murphy, M.	Selcer
Atkins	Erhardt	Hortman	Mahoney	Nelson	Simon
Benson, J.	Erickson, R.	Huntley	Mariani	Newton	Simonson
Bernardy	Falk	Isaacson	Marquart	Norton	Slocum
Bly	Faust	Johnson, C.	Masin	Paymar	Sundin
Brynaert	Fischer	Johnson, S.	McNamar	Pelowski	Wagenius
Carlson	Freiberg	Kahn	McNamara	Persell	Ward, J.A.
Clark	Fritz	Laine	Melin	Poppe	Ward, J.E.
Cornish	Gunther	Lenczewski	Metsa	Radinovich	Winkler
Davids	Halverson	Lesch	Moran	Rosenthal	Yarusso
Davnie	Hamilton	Liebling	Morgan	Savick	Spk. Thissen

Those who voted in the negative were:

Albright	Dettmer	Hackbarth	Kresha	Peppin	Theis
Anderson, M.	Drazkowski	Hertaus	Leidiger	Petersburg	Torkelson
Anderson, P.	Erickson, S.	Holberg	Lohmer	Pugh	Uglen
Anderson, S.	Fabian	Hoppe	Loon	Quam	Urdahl
Barrett	FitzSimmons	Howe	Mack	Runbeck	Wills
Beard	Franson	Johnson, B.	Newberger	Sanders	Woodard
Benson, M.	Garofalo	Kelly	Nornes	Schomacker	Zellers
Daudt	Green	Kieffer	O'Driscoll	Scott	Zerwas
Dean, M.	Gruenhagen	Kiel	O'Neill	Swedzinski	

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

#### REPORT FROM THE COMMITTEE ON RULES AND LEGISLATIVE ADMINISTRATION

Murphy, E., from the Committee on Rules and Legislative Administration, pursuant to rule 1.21, designated the following bill to be placed on the Supplemental Calendar for the Day for Saturday, May 18, 2013:

H. F. No. 972.

#### CALENDAR FOR THE DAY

H. F. No. 1214 was reported to the House.

Mahoney moved to amend H. F. No. 1214, the second engrossment, as follows:

Page 18, after line 10, insert:

"Sec. 17. **SUPERSEDED PROVISIONS.**

Sections 6, 7, and 18 supersede and replace all amendments to Minnesota Statutes, section 168A.153, made in 2013 S. F. 1270, if enacted, regardless of order of enactment."

Renumber the sections in sequence and correct the internal references

Amend the title accordingly

The motion prevailed and the amendment was adopted.

Morgan was excused between the hours of 3:25 p.m. and 6:05 p.m.

H. F. No. 1214, A bill for an act relating to commerce; regulating motor vehicles; amending regulation of scrap metal processing; requiring proof of ownership or hold period for vehicles purchased for scrap; creating the automated property system; creating criminal penalties; amending Minnesota Statutes 2012, sections 168.27, subdivisions 1a, 19a, 23; 168A.15, subdivision 3; 168A.153, subdivisions 1, 3; 325E.21, subdivisions 1, 1a, 4, 8, 9, by adding subdivisions; proposing coding for new law in Minnesota Statutes, chapter 168A; repealing Minnesota Statutes 2012, section 168A.153, subdivision 2.

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 103 yeas and 27 nays as follows:

Those who voted in the affirmative were:

Abeler	Dehn, R.	Hilstrom	Loeffler	O'Neill	Theis
Allen	Dill	Hoppe	Mack	Paymar	Uglem
Anderson, S.	Dorholt	Hortman	Mahoney	Pelowski	Urdahl
Anzelc	Erhardt	Howe	Mariani	Persell	Wagenius
Atkins	Erickson, R.	Huntley	Marquart	Petersburg	Ward, J.A.
Barrett	Falk	Isaacson	Masin	Poppe	Ward, J.E.
Beard	Faust	Johnson, B.	McNamar	Pugh	Wills
Benson, J.	Fischer	Johnson, C.	McNamara	Radinovich	Winkler
Bernardy	FitzSimmons	Johnson, S.	Melin	Rosenthal	Woodard
Bly	Freiberg	Kahn	Metsa	Runbeck	Yarusso
Brynaert	Fritz	Kelly	Moran	Savick	Zellers
Carlson	Gruenhagen	Kresha	Mullery	Sawatzky	Zerwas
Clark	Gunther	Laine	Murphy, E.	Schoen	Spk. Thissen
Cornish	Halverson	Lenczewski	Murphy, M.	Selcer	
Daudt	Hamilton	Lesch	Nelson	Simon	
Davids	Hansen	Liebling	Newberger	Simonson	
Davnie	Hausman	Lien	Newton	Slocum	
Dean, M.	Hertaus	Lillie	Norton	Sundin	

Those who voted in the negative were:

Albright	Drazkowski	Green	Leidiger	Peppin	Swedzinski
Anderson, M.	Erickson, S.	Hackbarth	Lohmer	Quam	Torkelson
Anderson, P.	Fabian	Holberg	Loon	Sanders	
Benson, M.	Franson	Kieffer	Nornes	Schomacker	
Dettmer	Garofalo	Kiel	O'Driscoll	Scott	

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

There being no objection, the order of business reverted to Messages from the Senate.

## MESSAGES FROM THE SENATE

The following messages were received from the Senate:

Mr. Speaker:

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

H. F. No. 1233, A bill for an act relating to state government; establishing the health and human services budget; modifying provisions related to health care, continuing care, human services licensing, chemical and mental health, managed care organizations, waiver provider standards, home care, and the Department of Health; redesigning home and community-based services; establishing payment methodologies for home and community-based services; adjusting nursing and ICF/DD facility rates; setting and modifying fees; modifying autism coverage; modifying assistance programs; requiring licensing of certain abortion facilities; requiring drug testing; making technical changes; requiring studies; requiring reports; appropriating money; amending Minnesota Statutes 2012, sections 16A.724, subdivisions 2, 3; 16C.10, subdivision 5; 16C.155, subdivision 1; 62A.65, subdivision 2, by adding a subdivision; 62J.692, subdivision 4; 62Q.19, subdivision 1; 103I.005, by adding a subdivision; 103I.521; 119B.13, subdivision 7; 144.051, by adding subdivisions; 144.0724, subdivisions 4, 6; 144.123, subdivision 1; 144.125, subdivision 1; 144.966, subdivisions 2, 3a; 144.98, subdivisions 3, 5, by adding subdivisions; 144.99, subdivision 4; 144A.351; 144A.43; 144A.44; 144A.45; 144A.53, subdivision 2; 144D.01, subdivision 4; 145.986; 145C.01, subdivision 7; 148E.065, subdivision 4a; 149A.02, subdivisions 1a, 2, 3, 4, 5, 16, 23, 27, 34, 35, 37, by adding subdivisions; 149A.03; 149A.65, by adding subdivisions; 149A.70, subdivisions 1, 2, 3, 5; 149A.71, subdivisions 2, 4; 149A.72, subdivisions 3, 9, by adding a subdivision; 149A.73, subdivisions 1, 2, 4; 149A.74; 149A.91, subdivision 9; 149A.93, subdivisions 3, 6; 149A.94; 149A.96, subdivision 9; 174.30, subdivision 1; 214.40, subdivision 1; 243.166, subdivisions 4b, 7; 245.4661, subdivisions 5, 6; 245.4682, subdivision 2; 245A.02, subdivisions 1, 9, 10, 14; 245A.03, subdivisions 7, 8, 9; 245A.04, subdivision 13; 245A.042, subdivision 3; 245A.07, subdivisions 2a, 3; 245A.08, subdivision 2a; 245A.10; 245A.11, subdivisions 2a, 7, 7a, 7b, 8; 245A.1435; 245A.144; 245A.1444; 245A.16, subdivision 1; 245A.40, subdivision 5; 245A.50; 245C.04, by adding a subdivision; 245C.08, subdivision 1; 245D.02; 245D.03; 245D.04; 245D.05; 245D.06; 245D.07; 245D.09; 245D.10; 246.18, subdivision 8, by adding a subdivision; 246.54; 254B.04, subdivision 1; 254B.13; 256.01, subdivisions 2, 24, 34, by adding subdivisions; 256.9657, subdivisions 1, 2, 3a; 256.9685, subdivision 2; 256.969, subdivisions 3a, 29; 256.975, subdivision 7, by adding subdivisions; 256.9754, subdivision 5, by adding subdivisions; 256B.02, by adding subdivisions; 256B.021, by adding subdivisions; 256B.04, subdivisions 18, 21, by adding a subdivision; 256B.055, subdivisions 3a, 6, 10, 14, 15, by adding a subdivision; 256B.056, subdivisions 1, 1c, 3, 4, as amended, 5c, 10, by adding a subdivision; 256B.057, subdivisions 1, 8, 10, by adding a subdivision; 256B.06, subdivision 4; 256B.0623, subdivision 2; 256B.0625, subdivisions 9, 13e, 19c, 31, 39, 48, 58, by adding subdivisions; 256B.0631, subdivision 1; 256B.064, subdivisions 1a, 1b, 2; 256B.0659, subdivision 21; 256B.0755, subdivision 3; 256B.0756; 256B.0911, subdivisions 1, 1a, 3a, 4d, 6, 7, by adding a subdivision; 256B.0913, subdivision 4, by adding a subdivision; 256B.0915, subdivisions 3a, 5, by adding a subdivision; 256B.0916, by adding a subdivision; 256B.0917, subdivisions 6, 13, by adding subdivisions; 256B.092, subdivisions 11, 12, by adding subdivisions; 256B.0946; 256B.095; 256B.0951, subdivisions 1, 4; 256B.0952, subdivisions 1, 5; 256B.097, subdivisions 1, 3; 256B.431, subdivision 44; 256B.434, subdivision 4, by adding a subdivision; 256B.437, subdivision 6; 256B.439, subdivisions 1, 2, 3, 4, by adding a subdivision; 256B.441, subdivisions 13, 53; 256B.49, subdivisions 11a, 12, 14, 15, by adding subdivisions; 256B.4912, subdivisions 1, 2, 3, 7, by adding subdivisions; 256B.4913, subdivisions 5, 6, by adding a subdivision; 256B.492; 256B.493, subdivision 2; 256B.5011, subdivision 2; 256B.5012, by adding

subdivisions; 256B.69, subdivisions 5c, 31, by adding a subdivision; 256B.694; 256B.76, subdivisions 2, 4, by adding a subdivision; 256B.761; 256B.764; 256B.766; 256D.024, by adding a subdivision; 256I.04, subdivision 3; 256I.05, subdivision 1e, by adding a subdivision; 256J.15, by adding a subdivision; 256J.26, subdivision 3, by adding a subdivision; 256J.35; 256K.45; 256L.01, subdivisions 3a, 5, by adding subdivisions; 256L.02, subdivision 2, by adding subdivisions; 256L.03, subdivisions 1, 1a, 3, 5, 6, by adding a subdivision; 256L.04, subdivisions 1, 7, 8, 10, by adding subdivisions; 256L.05, subdivisions 1, 2, 3; 256L.06, subdivision 3; 256L.07, subdivisions 1, 2, 3; 256L.09, subdivision 2; 256L.11, subdivision 6; 256L.15, subdivisions 1, 2; 257.0755, subdivision 1; 260B.007, subdivisions 6, 16; 260C.007, subdivisions 6, 31; 270B.14, subdivision 1; 471.59, subdivision 1; 626.556, subdivisions 2, 3, 10d; 626.557, subdivisions 4, 9, 9a, 9e; 626.5572, subdivision 13; Laws 1998, chapter 407, article 6, section 116; Laws 2011, First Special Session chapter 9, article 1, section 3; article 2, section 27; article 10, section 3, subdivision 3, as amended; proposing coding for new law in Minnesota Statutes, chapters 3; 62A; 62D; 144; 144A; 145; 149A; 214; 245; 245A; 245D; 254B; 256; 256B; 256L; repealing Minnesota Statutes 2012, sections 103I.005, subdivision 20; 144.123, subdivision 2; 144A.46; 144A.461; 149A.025; 149A.20, subdivision 8; 149A.30, subdivision 2; 149A.40, subdivision 8; 149A.45, subdivision 6; 149A.50, subdivision 6; 149A.51, subdivision 7; 149A.52, subdivision 5a; 149A.53, subdivision 9; 245A.655; 245B.01; 245B.02; 245B.03; 245B.031; 245B.04; 245B.05, subdivisions 1, 2, 3, 5, 6, 7; 245B.055; 245B.06; 245B.07; 245B.08; 245D.08; 256B.055, subdivisions 3, 5, 10b; 256B.056, subdivision 5b; 256B.057, subdivisions 1c, 2; 256B.0911, subdivisions 4a, 4b, 4c; 256B.0917, subdivisions 1, 2, 3, 4, 5, 7, 8, 9, 10, 11, 12, 14; 256B.096, subdivisions 1, 2, 3, 4; 256B.14, subdivision 3a; 256B.49, subdivision 16a; 256B.4913, subdivisions 1, 2, 3, 4; 256B.5012, subdivision 13; 256J.24, subdivision 6; 256K.45, subdivision 2; 256L.01, subdivision 4a; 256L.031; 256L.04, subdivisions 1b, 9, 10a; 256L.05, subdivision 3b; 256L.07, subdivisions 5, 8, 9; 256L.11, subdivision 5; 256L.12; 256L.17, subdivisions 1, 2, 3, 4, 5; 485.14; 609.093; Laws 2011, First Special Session chapter 9, article 7, section 54, as amended; Minnesota Rules, parts 4668.0002; 4668.0003; 4668.0005; 4668.0008; 4668.0012; 4668.0016; 4668.0017; 4668.0019; 4668.0030; 4668.0035; 4668.0040; 4668.0050; 4668.0060; 4668.0065; 4668.0070; 4668.0075; 4668.0080; 4668.0100; 4668.0110; 4668.0120; 4668.0130; 4668.0140; 4668.0150; 4668.0160; 4668.0170; 4668.0180; 4668.0190; 4668.0200; 4668.0218; 4668.0220; 4668.0230; 4668.0240; 4668.0800; 4668.0805; 4668.0810; 4668.0815; 4668.0820; 4668.0825; 4668.0830; 4668.0835; 4668.0840; 4668.0845; 4668.0855; 4668.0860; 4668.0865; 4668.0870; 4669.0001; 4669.0010; 4669.0020; 4669.0030; 4669.0040; 4669.0050.

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

JOANNE M. ZOFF, Secretary of the Senate

Mr. Speaker:

I hereby announce the adoption by the Senate of the following Senate Concurrent Resolution, herewith transmitted:

Senate Concurrent Resolution No. 7, A Senate concurrent resolution relating to adjournment of the Senate and House of Representatives until 2014.

JOANNE M. ZOFF, Secretary of the Senate

#### SUSPENSION OF RULES

Murphy, E., moved that the rules be so far suspended that Senate Concurrent Resolution No. 7 be now considered and be placed upon its adoption. The motion prevailed.

## SENATE CONCURRENT RESOLUTION NO. 7

A Senate concurrent resolution relating to adjournment of the Senate and House of Representatives until 2014.

*Be It Resolved*, by the Senate of the State of Minnesota, the House of Representatives concurring:

1. Upon their adjournments on May 20, 2013, the Senate may set its next day of meeting for Tuesday, February 25, 2014, at 12:00 noon and the House of Representatives may set its next day of meeting for Tuesday, February 25, 2014, at 12:00 noon.

2. By the adoption of this resolution, each house consents to adjournment of the other house for more than three days.

Murphy, E., moved that Senate Concurrent Resolution No. 7 be now adopted. The motion prevailed and Senate Concurrent Resolution No. 7 was adopted.

Murphy, E., 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.

The following Conference Committee Reports were received:

## CONFERENCE COMMITTEE REPORT ON H. F. NO. 976

A bill for an act relating to state government; appropriating money for environment, natural resources, and agriculture; modifying and providing for certain fees; modifying and providing for disposition of certain revenue; creating accounts; modifying payment of certain costs; modifying grant programs; providing for agricultural water quality certification; modifying Minnesota Noxious Weed Law; modifying pesticide control; modifying animal waste technician provisions; modifying certain renewable energy and biofuel provisions; modifying bonding requirements for grain buyers and grain storage; making technical changes; modifying certain permit requirements; providing for federal law compliance; providing for certain easements; establishing pollinator habitat program; modifying state trails; modifying all-terrain vehicle operating provisions; modifying State Timber Act; modifying water use requirements; modifying certain park boundaries; modifying reporting requirements; modifying Petroleum Tank Release Cleanup Act; providing for silica sand mining model standards and technical assistance; establishing criteria for wastewater treatment system projects; providing for wastewater laboratory certification; providing for product stewardship programs; modifying Minnesota Power Plant Siting Act; providing for sanitary districts; requiring groundwater sustainability recommendations; requiring rulemaking; amending Minnesota Statutes 2012, sections 17.03, subdivision 3; 17.1015; 17.118, subdivision 2; 18.77, subdivisions 3, 4, 10, 12; 18.78, subdivision 3; 18.79, subdivisions 6, 13; 18.82, subdivision 1; 18.91, subdivisions 1, 2; 18B.01, by adding a subdivision; 18B.065, subdivision 2a; 18B.07, subdivisions 4, 5, 7; 18B.26, subdivision 3; 18B.305; 18B.316, subdivisions 1, 3, 4, 8, 9; 18B.37, subdivision 4; 18C.430; 18C.433, subdivision 1; 31.94; 41A.10, subdivision 2, by adding a subdivision; 41A.105, subdivisions 1a, 3, 5; 41A.12, by adding a subdivision; 41B.04, subdivision 9; 41D.01, subdivision 4; 84.027, by adding a subdivision; 84.82, by adding a subdivision; 84.922, by adding a subdivision; 84.9256, subdivision 1; 84.928, subdivision 1; 84D.108, subdivision 2; 85.015, subdivision 13; 85.052, subdivision 6; 85.054, by adding a subdivision; 85.055, subdivisions 1, 2; 85.42; 89.0385; 89.17; 90.01, subdivisions 4, 5, 6, 8, 11; 90.031,

subdivision 4; 90.041, subdivisions 2, 5, 6, 9, by adding subdivisions; 90.045; 90.061, subdivision 8; 90.101, subdivision 1; 90.121; 90.145; 90.151, subdivisions 1, 2, 3, 4, 6, 7, 8, 9; 90.161; 90.162; 90.171; 90.181, subdivision 2; 90.191, subdivision 1; 90.193; 90.195; 90.201, subdivision 2a; 90.211; 90.221; 90.252, subdivision 1; 90.301, subdivisions 2, 4; 90.41, subdivision 1; 92.50; 93.17, subdivision 1; 93.1925, subdivision 2; 93.25, subdivision 2; 93.285, subdivision 3; 93.46, by adding a subdivision; 93.481, subdivisions 3, 5, by adding subdivisions; 93.482; 97A.401, subdivision 3; 103G.265, subdivisions 2, 3; 103G.271, subdivisions 1, 4, 6; 103G.282; 103G.287, subdivisions 1, 4, 5; 103G.615, subdivision 2; 103I.205, subdivision 1; 103I.601, by adding a subdivision; 114D.50, subdivision 4; 115A.1320, subdivision 1; 115B.20, subdivision 6; 115B.28, subdivision 1; 115C.02, subdivision 4; 115C.08, subdivision 4, by adding a subdivision; 115D.10; 116.48, subdivision 6; 116C.03, subdivisions 2, 4, 5; 116D.04, by adding a subdivision; 116J.437, subdivision 1; 168.1296, subdivision 1; 216E.12, subdivision 4; 223.17, by adding a subdivision; 232.22, by adding a subdivision; 239.051, by adding subdivisions; 239.791, subdivisions 1, 2a, 2b; 239.7911; 275.066; 296A.01, subdivision 19, by adding a subdivision; 473.846; Laws 2012, chapter 249, section 11; proposing coding for new law in Minnesota Statutes, chapters 17; 18; 84; 90; 93; 115; 115A; 116C; proposing coding for new law as Minnesota Statutes, chapter 442A; repealing Minnesota Statutes 2012, sections 18.91, subdivisions 3, 5; 18B.07, subdivision 6; 90.163; 90.173; 90.41, subdivision 2; 103G.265, subdivision 2a; 115.18, subdivisions 1, 3, 4, 5, 6, 7, 8, 9, 10; 115.19; 115.20; 115.21; 115.22; 115.23; 115.24; 115.25; 115.26; 115.27; 115.28; 115.29; 115.30; 115.31; 115.32; 115.33; 115.34; 115.35; 115.36; 115.37; 239.791, subdivision 1a; Minnesota Rules, parts 7021.0010, subparts 1, 2, 4, 5; 7021.0020; 7021.0030; 7021.0040; 7021.0050, subpart 5; 9210.0300; 9210.0310; 9210.0320; 9210.0330; 9210.0340; 9210.0350; 9210.0360; 9210.0370; 9210.0380; 9220.0530, subpart 6.

May 18, 2013

The Honorable Paul Thissen  
Speaker of the House of Representatives

The Honorable Sandra L. Pappas  
President of the Senate

We, the undersigned conferees for H. F. No. 976 report that we have agreed upon the items in dispute and recommend as follows:

That the Senate recede from its amendments and that H. F. No. 976 be further amended as follows:

Delete everything after the enacting clause and insert:

"ARTICLE 1  
AGRICULTURE APPROPRIATIONS

Section 1. **SUMMARY OF APPROPRIATIONS.**

The amounts shown in this section summarize direct appropriations, by fund, made in this article.

	<b><u>2014</u></b>	<b><u>2015</u></b>	<b><u>Total</u></b>
<b><u>General</u></b>	<b><u>\$39,050,000</u></b>	<b><u>\$39,050,000</u></b>	<b><u>\$78,100,000</u></b>
<b><u>Agricultural</u></b>	<b><u>\$1,240,000</u></b>	<b><u>\$1,240,000</u></b>	<b><u>\$2,480,000</u></b>
<b><u>Remediation</u></b>	<b><u>\$388,000</u></b>	<b><u>\$388,000</u></b>	<b><u>\$776,000</u></b>
<b><u>Total</u></b>	<b><u>\$40,678,000</u></b>	<b><u>\$40,678,000</u></b>	<b><u>\$81,356,000</u></b>



Sec. 2. **AGRICULTURE APPROPRIATIONS.**

The sums shown in the columns marked "Appropriations" are appropriated to the agencies and for the purposes specified in this act. The appropriations are from the general fund, or another named fund, and are available for the fiscal years indicated for each purpose. The figures "2014" and "2015" used in this act mean that the appropriations listed under them are available for the fiscal year ending June 30, 2014, or June 30, 2015, respectively. "The first year" is fiscal year 2014. "The second year" is fiscal year 2015. "The biennium" is fiscal years 2014 and 2015.

**APPROPRIATIONS**  
**Available for the Year**  
**Ending June 30**  
**2014**                      **2015**

Sec. 3. **DEPARTMENT OF AGRICULTURE**

Subdivision 1. **Total Appropriation**    **\$33,198,000**                      **\$33,198,000**

Appropriations by Fund

	<u>2014</u>	<u>2015</u>
<u>General</u>	<u>31,570,000</u>	<u>31,570,000</u>
<u>Remediation</u>	<u>388,000</u>	<u>388,000</u>
<u>Agricultural</u>	<u>1,240,000</u>	<u>1,240,000</u>

The amounts that may be spent for each purpose are specified in the following subdivisions.

Subd. 2. **Protection Services**    **12,808,000**                      **12,808,000**

Appropriations by Fund

	<u>2014</u>	<u>2015</u>
<u>General</u>	<u>11,980,000</u>	<u>11,980,000</u>
<u>Agricultural</u>	<u>440,000</u>	<u>440,000</u>
<u>Remediation</u>	<u>388,000</u>	<u>388,000</u>

\$388,000 the first year and \$388,000 the second year are from the remediation fund for administrative funding for the voluntary cleanup program.

\$25,000 the first year and \$25,000 the second year are for compensation for destroyed or crippled animals under Minnesota Statutes, section 3.737. If the amount in the first year is insufficient, the amount in the second year is available in the first year.

\$75,000 the first year and \$75,000 the second year are for compensation for crop damage under Minnesota Statutes, section 3.7371. If the amount in the first year is insufficient, the amount in the second year is available in the first year.

If the commissioner determines that claims made under Minnesota Statutes, section 3.737 or 3.7371, are unusually high, amounts appropriated for either program may be transferred to the appropriation for the other program.

\$225,000 the first year and \$225,000 the second year are for an increase in retail food handler inspections.

\$245,000 the first year and \$245,000 the second year are for an increase in the operating budget for the Laboratory Services Division.

Notwithstanding Minnesota Statutes, section 18B.05, \$90,000 the first year and \$90,000 the second year are from the pesticide regulatory account in the agricultural fund for an increase in the operating budget for the Laboratory Services Division.

\$100,000 the first year and \$100,000 the second year are from the pesticide regulatory account in the agricultural fund to monitor pesticides and pesticide degradates in surface water and groundwater in areas vulnerable to surface water impairments and groundwater degradation and to use data collected to improve pesticide use practices. This is a onetime appropriation.

\$100,000 the first year and \$100,000 the second year are from the pesticide regulatory account in the agricultural fund to update and modify applicator education and training materials. No later than January 15, 2015, the commissioner must report to the legislative committees with jurisdiction over agriculture finance regarding the agency's progress and a schedule of activities the commissioner will accomplish to update and modify additional materials by December 31, 2017.

Notwithstanding Minnesota Statutes, section 18B.05, \$150,000 the first year and \$150,000 the second year are from the pesticide regulatory account in the agricultural fund to: develop and use best management practices that protect pollinators by providing habitat necessary for their survival and reproduction; incorporate these practices into pesticide applicator and county agricultural inspector training; and increase public awareness of the importance of pollinators and pollinator habitat. The commissioner may transfer a portion of this appropriation to the Board of Regents of the University of Minnesota to design habitat and measure and report the outcomes achieved under this paragraph. This is a onetime appropriation.

**Subd. 3. Agricultural Marketing and Development**

3,062,000

3,062,000

\$186,000 the first year and \$186,000 the second year are for transfer to the Minnesota grown account and may be used as grants for Minnesota grown promotion under Minnesota Statutes, section 17.102. Grants may be made for one year. Notwithstanding Minnesota Statutes, section 16A.28, the appropriations encumbered under contract on or before June 30, 2015, for Minnesota grown grants in this paragraph are available until June 30, 2017.

\$100,000 each year is for a licensed education professional for the agriculture in the classroom program to develop and disseminate curriculum, provide teacher training opportunities, and work with schools to enhance agricultural literacy by incorporating agriculture into classroom curriculum.

The commissioner may use funds appropriated in this subdivision for annual cost-share payments to resident farmers or entities that sell, process, or package agricultural products in this state for the costs of organic certification. Annual cost-share payments must be 75 percent of the cost of the certification or \$750, whichever is less. The commissioner may allocate these funds for organic market and program development, including organic producer education efforts, assistance for persons transitioning from conventional to organic agriculture, or sustainable agriculture demonstration grants authorized under Minnesota Statutes, section 17.116, and pertaining to organic research or demonstration. Any unencumbered balance does not cancel at the end of the first year and is available for the second year.

**Subd. 4. Bioenergy and Value-Added Agriculture**

10,235,000

10,235,000

\$10,235,000 the first year and \$10,235,000 the second year are for the agricultural growth, research, and innovation program in Minnesota Statutes, section 41A.12. The commissioner shall consider creating a competitive grant program for small renewable energy projects for rural residents. No later than February 1, 2014, and February 1, 2015, the commissioner must report to the legislative committees with jurisdiction over agriculture policy and finance regarding the commissioner's accomplishments and anticipated accomplishments in the following areas: developing new markets for Minnesota farmers by providing more fruits and vegetables for Minnesota school children; facilitating the start-up, modernization, or expansion of livestock operations including beginning and transitioning livestock operations; facilitating the start-up, modernization, or expansion of other beginning and transitioning farms; research on conventional and cover crops; and biofuel and other renewable energy development including small renewable energy projects for rural residents.

The commissioner may use up to 4.5 percent of this appropriation for costs incurred to administer the program. Any unencumbered balance does not cancel at the end of the first year and is available for the second year. Notwithstanding Minnesota Statutes, section 16A.28, the appropriations encumbered under contract on or before June 30, 2015, for agricultural growth, research, and innovation grants in this subdivision are available until June 30, 2017.

Money in this appropriation may be used to provide additional assistance to persons eligible for the pilot agricultural microloan program under Minnesota Statutes, section 41B.056.

Funds in this appropriation may be used for grants under this paragraph. The NextGen Energy Board, established in Minnesota Statutes, section 41A.105, shall make recommendations to the commissioner on grants for owners of Minnesota facilities producing bioenergy, biobased content, or a biobased formulated product; for organizations that provide for on-station, on-farm field scale research and outreach to develop and test the agronomic and economic requirements of diverse stands of prairie plants and other perennials for bioenergy systems; or for certain nongovernmental entities. For the purposes of this paragraph, "bioenergy" includes transportation fuels derived from cellulosic material, as well as the generation of energy for commercial heat, industrial process heat, or electrical power from cellulosic materials via gasification or other processes. Grants are limited to 50 percent of the cost of research, technical assistance, or equipment related to bioenergy, biobased content, or biobased formulated product production or \$500,000, whichever is less. Grants to nongovernmental entities for the development of business plans and structures related to community ownership of eligible bioenergy facilities together may not exceed \$150,000. The board shall make a good-faith effort to select projects that have merit and, when taken together, represent a variety of bioenergy technologies, biomass feedstocks, and geographic regions of the state. Projects must have a qualified engineer provide certification on the technology and fuel source. Grantees must provide reports at the request of the commissioner. No later than February 1, 2014, and February 1, 2015, the commissioner shall report on the projects funded under this appropriation to the legislative committees with jurisdiction over agriculture policy and finance.

Money in this appropriation may be used for sustainable agriculture grants under Minnesota Statutes, section 17.116.

Notwithstanding Minnesota Statutes, section 41A.12, subdivision 3, of the amount appropriated in this subdivision, \$1,000,000 the first year and \$1,000,000 the second year are for distribution in equal amounts to each of the state's county fairs to enhance arts access and education and to preserve and promote Minnesota's history and cultural heritage.

**Subd. 5. Administration and Financial Assistance**

7,093,000

7,093,000

Appropriations by Fund

<u>General</u>	<u>6,293,000</u>	<u>6,293,000</u>
<u>Agricultural</u>	<u>800,000</u>	<u>800,000</u>

\$634,000 the first year and \$634,000 the second year are for continuation of the dairy development and profitability enhancement and dairy business planning grant programs established under Laws 1997, chapter 216, section 7, subdivision 2, and Laws 2001, First Special Session chapter 2, section 9,

subdivision 2. The commissioner may allocate the available sums among permissible activities, including efforts to improve the quality of milk produced in the state in the proportions that the commissioner deems most beneficial to Minnesota's dairy farmers. The commissioner must submit a detailed accomplishment report and a work plan detailing future plans for, and anticipated accomplishments from, expenditures under this program to the chairs and ranking minority members of the legislative committees with jurisdiction over agricultural policy and finance on or before the start of each fiscal year. If significant changes are made to the plans in the course of the year, the commissioner must notify the chairs and ranking minority members.

\$47,000 the first year and \$47,000 the second year are for the Northern Crops Institute. These appropriations may be spent to purchase equipment.

\$18,000 the first year and \$18,000 the second year are for a grant to the Minnesota Livestock Breeders Association.

\$235,000 the first year and \$235,000 the second year are for grants to the Minnesota Agricultural Education and Leadership Council for programs of the council under Minnesota Statutes, chapter 41D.

\$474,000 the first year and \$474,000 the second year are for payments to county and district agricultural societies and associations under Minnesota Statutes, section 38.02, subdivision 1. Aid payments to county and district agricultural societies and associations shall be disbursed no later than July 15 of each year. These payments are the amount of aid from the state for an annual fair held in the previous calendar year.

\$1,000 the first year and \$1,000 the second year are for grants to the Minnesota State Poultry Association.

\$108,000 the first year and \$108,000 the second year are for annual grants to the Minnesota Turf Seed Council for basic and applied research on: (1) the improved production of forage and turf seed related to new and improved varieties; and (2) native plants, including plant breeding, nutrient management, pest management, disease management, yield, and viability. The grant recipient may subcontract with a qualified third party for some or all of the basic or applied research.

\$500,000 the first year and \$500,000 the second year are for grants to Second Harvest Heartland on behalf of Minnesota's six Second Harvest food banks for the purchase of milk for distribution to Minnesota's food shelves and other charitable organizations that are eligible to receive food from the food banks. Milk purchased under the grants must be acquired from Minnesota milk processors and based on low-cost bids. The milk must be allocated to each Second Harvest food bank serving Minnesota according to the

formula used in the distribution of United States Department of Agriculture commodities under The Emergency Food Assistance Program (TEFAP). Second Harvest Heartland must submit quarterly reports to the commissioner on forms prescribed by the commissioner. The reports must include, but are not limited to, information on the expenditure of funds, the amount of milk purchased, and the organizations to which the milk was distributed. Second Harvest Heartland may enter into contracts or agreements with food banks for shared funding or reimbursement of the direct purchase of milk. Each food bank receiving money from this appropriation may use up to two percent of the grant for administrative expenses.

\$94,000 the first year and \$94,000 the second year are for transfer to the Board of Trustees of the Minnesota State Colleges and Universities for statewide mental health counseling support to farm families and business operators through farm business management programs at Central Lakes College and Ridgewater College.

\$17,000 the first year and \$17,000 the second year are for grants to the Minnesota Horticultural Society.

Notwithstanding Minnesota Statutes, section 18C.131, \$800,000 the first year and \$800,000 the second year are from the fertilizer account in the agricultural fund for grants for fertilizer research as awarded by the Minnesota Agricultural Fertilizer Research and Education Council under Minnesota Statutes, section 18C.71. The amount appropriated in either fiscal year must not exceed 57 percent of the inspection fee revenue collected under Minnesota Statutes, section 18C.425, subdivision 6, during the previous fiscal year. No later than February 1, 2015, the commissioner shall report to the legislative committees with jurisdiction over agriculture finance. The report must include the progress and outcome of funded projects as well as the sentiment of the council concerning the need for additional research funds.

Sec. 4. <b><u>BOARD OF ANIMAL HEALTH</u></b>	<b><u>\$4,837,000</u></b>	<b><u>\$4,837,000</u></b>
Sec. 5. <b><u>AGRICULTURAL UTILIZATION RESEARCH INSTITUTE</u></b>	<b><u>\$2,643,000</u></b>	<b><u>\$2,643,000</u></b>

## ARTICLE 2 AGRICULTURE POLICY

Section 1. Minnesota Statutes 2012, section 13.6435, is amended by adding a subdivision to read:

Subd. 14. **Agricultural water quality certification program.** Data collected under the Minnesota agricultural water quality certification program are classified under section 17.9899.

Sec. 2. Minnesota Statutes 2012, section 17.03, subdivision 3, is amended to read:

Subd. 3. **Cooperation with federal agencies.** (a) The commissioner shall cooperate with the government of the United States, with financial agencies created to assist in the development of the agricultural resources of this state, and so far as practicable may use the facilities provided by the existing state departments and the various state and local organizations. This subdivision is intended to relate to every function and duty which devolves upon the commissioner.

(b) The commissioner may apply for, receive, and disburse federal funds made available to the state by federal law or regulation for any purpose related to the powers and duties of the commissioner. All money received by the commissioner under this paragraph shall be deposited in the state treasury and is appropriated to the commissioner for the purposes for which it was received. Money made available under this paragraph may be paid pursuant to applicable federal regulations and rate structures. Money received under this paragraph does not cancel and is available for expenditure according to federal law. The commissioner may contract with and enter into grant agreements with persons, organizations, educational institutions, firms, corporations, other state agencies, and any agency or instrumentality of the federal government to carry out agreements made with the federal government relating to the expenditure of money under this paragraph. Bid requirements under chapter 16C do not apply to contracts under this paragraph.

Sec. 3. Minnesota Statutes 2012, section 17.1015, is amended to read:

#### **17.1015 PROMOTIONAL EXPENDITURES.**

In order to accomplish the purposes of section 17.101, the commissioner may participate jointly with private persons in appropriate programs and projects and may enter into contracts to carry out those programs and projects. The contracts may not include the acquisition of land or buildings and are not subject to the provisions of chapter 16C relating to competitive bidding.

The commissioner may spend money appropriated for the purposes of section 17.101 in the same manner that private persons, firms, corporations, and associations make expenditures for these purposes, and expenditures made pursuant to section 17.101 for food, lodging, or travel are not governed by the travel rules of the commissioner of management and budget.

Sec. 4. Minnesota Statutes 2012, section 17.118, subdivision 2, is amended to read:

Subd. 2. **Definitions.** (a) For the purposes of this section, the terms defined in this subdivision have the meanings given them.

(b) "Livestock" means beef cattle, dairy cattle, swine, poultry, goats, mules, farmed cervidae, ratitae, bison, sheep, horses, and llamas.

(c) "Qualifying expenditures" means the amount spent for:

(1) the acquisition, construction, or improvement of buildings or facilities for the production of livestock or livestock products;

(2) the development of pasture for use by livestock including, but not limited to, the acquisition, development, or improvement of:

(i) lanes used by livestock that connect pastures to a central location;

(ii) watering systems for livestock on pasture including water lines, booster pumps, and well installations;

(iii) livestock stream crossing stabilization; and

(iv) fences; or

(3) the acquisition of equipment for livestock housing, confinement, feeding, and waste management including, but not limited to, the following:

(i) freestall barns;

(ii) watering facilities;

(iii) feed storage and handling equipment;

(iv) milking parlors;

(v) robotic equipment;

(vi) scales;

(vii) milk storage and cooling facilities;

(viii) bulk tanks;

(ix) computer hardware and software and associated equipment used to monitor the productivity and feeding of livestock;

(x) manure pumping and storage facilities;

(xi) swine farrowing facilities;

(xii) swine and cattle finishing barns;

(xiii) calving facilities;

(xiv) digesters;

(xv) equipment used to produce energy;

(xvi) on-farm processing facilities equipment;

(xvii) fences; and

(xviii) livestock pens and corrals and sorting, restraining, and loading chutes.

Except for qualifying pasture development expenditures under clause (2), qualifying expenditures only include amounts that are allowed to be capitalized and deducted under either section 167 or 179 of the Internal Revenue Code in computing federal taxable income. Qualifying expenditures do not include an amount paid to refinance existing debt.



~~(d) "Qualifying period" means, for a grant awarded during a fiscal year, that full calendar year of which the first six months precede the first day of the current fiscal year. For example, an eligible person who makes qualifying expenditures during calendar year 2008 is eligible to receive a livestock investment grant between July 1, 2008, and June 30, 2009.~~

Sec. 5. **[17.9891] PURPOSE.**

The commissioner, in consultation with the commissioner of natural resources, commissioner of the Pollution Control Agency, and Board of Water and Soil Resources, may implement a Minnesota agricultural water quality certification program whereby a producer who demonstrates practices and management sufficient to protect water quality is certified for up to ten years and presumed to be contributing the producer's share of any targeted reduction of water pollutants during the certification period. The program is voluntary. The voluntary program will first be piloted in selected watersheds across the state, until the commissioner, in consultation with the Minnesota Agricultural Water Quality Certification Program Advisory Committee, commissioner of natural resources, commissioner of the Pollution Control Agency, and Board of Water and Soil Resources, determines the program is suitable to be implemented in other watersheds.

Sec. 6. **[17.9892] DEFINITIONS.**

Subdivision 1. **Application.** The definitions in this section apply to sections 17.9891 to 17.993.

Subd. 2. **Certification.** "Certification" means a producer has demonstrated compliance with all applicable environmental rules and statutes for all of the producer's owned and rented agricultural land and has achieved a satisfactory score through the certification instrument as verified by a certifying agent.

Subd. 3. **Certifying agent.** "Certifying agent" means a person who is authorized by the commissioner to assess producers to determine whether a producer satisfies the standards of the program.

Subd. 4. **Effective control.** "Effective control" means possession of land by ownership, written lease, or other legal agreement and authority to act as decision maker for the day-to-day management of the operation at the time the producer achieves certification and for the required certification period.

Subd. 5. **Eligible land.** "Eligible land" means all acres of a producer's agricultural operation, whether contiguous or not, that are under the effective control of the producer at the time the producer enters into the program and that the producer operates with equipment, labor, and management.

Subd. 6. **Program.** "Program" means the Minnesota agricultural water quality certification program.

Subd. 7. **Technical assistance.** "Technical assistance" means professional, advisory, or cost-share assistance provided to individuals in order to achieve certification.

Sec. 7. **[17.9893] CERTIFICATION INSTRUMENT.**

The commissioner, in consultation with the Minnesota Agricultural Water Quality Certification Program Advisory Committee, commissioner of natural resources, commissioner of the Pollution Control Agency, and Board of Water and Soil Resources, shall develop an analytical instrument to assess the water quality practices and management of agricultural operations. This instrument shall be used to certify that the water quality practices and management of an agricultural operation are consistent with state water quality goals and standards. The commissioner shall define a satisfactory score for certification purposes. The certification instrument tool shall:

(1) integrate applicable existing regulatory requirements;

(2) utilize technology and prioritize ease of use;

(3) utilize a water quality index or score applicable to the landscape;

(4) incorporate a process for updates and revisions as practices, management, and technology changes become established and approved; and

(5) comprehensively address water quality impacts.

Sec. 8. **[17.9894] CERTIFYING AGENT LICENSE.**

Subdivision 1. **License.** A person who offers certification services to producers as part of the program must satisfy all criteria in subdivision 2 and be licensed by the commissioner. A certifying agent is ineligible to provide certification services to any producer to whom the certifying agent has also provided technical assistance. Notwithstanding section 16A.1283, the commissioner may set license fees.

Subd. 2. **Certifying agent requirements.** In order to be licensed as a certifying agent, a person must:

(1) be an agricultural conservation professional employed by a soil and water conservation district or the Natural Resources Conservation Service, a Minnesota certified crop advisor recognized by the American Society of Agronomy, or an individual with agricultural conservation experience approved by the commissioner. The commissioner may establish eligibility criteria by rule;

(2) have passed a comprehensive exam, as set by the commissioner, evaluating knowledge of water quality, soil health, best farm management techniques, and the certification instrument; and

(3) maintain continuing education requirements as set by the commissioner.

Sec. 9. **[17.9895] DUTIES OF A CERTIFYING AGENT.**

Subdivision 1. **Duties.** A certifying agent shall conduct a formal certification assessment utilizing the certification instrument to determine whether a producer meets program criteria. If a producer satisfies all requirements, the certifying agent shall notify the commissioner of the producer's eligibility and request that the commissioner issue a certificate. All records and documents used in the assessment shall be compiled by the certifying agent and submitted to the commissioner.

Subd. 2. **Violations.** (a) In the event a certifying agent violates any provision of sections 17.9891 to 17.993 or an order of the commissioner, the commissioner may issue a written warning or a correction order and may suspend or revoke a license.

(b) If the commissioner suspends or revokes a license, the certifying agent has ten days from the date of suspension or revocation to appeal. If a certifying agent appeals, the commissioner shall hold an administrative hearing within 30 days of the suspension or revocation of the license, or longer by agreement of the parties, to determine whether the license is revoked or suspended. The commissioner shall issue an opinion within 30 days. If a person notifies the commissioner that the person intends to contest the commissioner's opinion, the Office of Administrative Hearings shall conduct a hearing in accordance with the applicable provisions of chapter 14 for hearings in contested cases.

Sec. 10. **[17.9896] CERTIFICATION PROCEDURES.**

Subdivision 1. **Producer duties.** A producer who seeks certification of eligible land shall conduct an initial assessment using the certification instrument, obtain technical assistance if necessary to achieve a satisfactory score on the certification instrument, and apply for certification from a licensed certifying agent.

Subd. 2. **Owned land.** Once certified, if a producer obtains ownership of additional agricultural land, the producer must notify a certifying agent and obtain certification of the additional land within one year in order to retain the producer's original certification.

Subd. 3. **Leased land.** Once certified, if a producer leases additional land, then the producer must notify a certifying agent before farming operations commence on the newly leased land. A producer who operates leased land is not required to implement practices that permanently alter the landscape in order to be certified or remain certified if the land is added following the original certification. A producer who operates leased land must demonstrate sufficient annual crop management practices, consistent with the original certification agreement, in order to remain certified.

Subd. 4. **Violations.** (a) The commissioner may revoke a certification if the producer violates subdivision 2 or 3.

(b) The commissioner may revoke a certification and seek reimbursement of any monetary benefit a producer may have received due to certification from a producer who fails to maintain certification criteria.

(c) If the commissioner revokes a certification, the producer has 30 days from the date of suspension or revocation to appeal. If a producer appeals, the commissioner shall hold an administrative hearing within 30 days of the suspension or revocation of the certification, or longer by agreement of the parties, to determine whether the certification is revoked or suspended. The commissioner shall issue an opinion within 30 days. If the producer notifies the commissioner that the producer intends to contest the commissioner's opinion, the Office of Administrative Hearings shall conduct a hearing in accordance with the applicable provisions of chapter 14 for hearings in contested cases.

Sec. 11. **[17.9897] CERTIFICATION CERTAINTY.**

(a) Once a producer is certified, the producer:

(1) retains certification for up to ten years from the date of certification if the producer complies with the certification agreement, even if the producer does not comply with new state water protection laws or rules that take effect during the certification period;

(2) is presumed to be meeting the producer's contribution to any targeted reduction of pollutants during the certification period;

(3) is required to continue implementation of practices that maintain the producer's certification; and

(4) is required to retain all records pertaining to certification.

(b) Paragraph (a) does not preclude enforcement of a local rule or ordinance by a local unit of government.

Sec. 12. **[17.9898] AUDITS.**

The commissioner shall perform random audits of producers and certifying agents to ensure compliance with the program. All producers and certifying agents shall cooperate with the commissioner during these audits, and provide all relevant documents to the commissioner for inspection and copying. Any delay, obstruction, or refusal to cooperate with the commissioner's audit or falsification of or failure to provide required data or information is a violation subject to the provisions of section 17.9895, subdivision 2, or 17.9896, subdivision 3.

Sec. 13. **[17.9899] DATA.**

All data collected under the program that identifies a producer or a producer's location are considered nonpublic data as defined in section 13.02, subdivision 9, or private data on individuals as defined in section 13.02, subdivision 12. The commissioner shall make available summary data of program outcomes on data classified as private or nonpublic under this section.

Sec. 14. **[17.991] RULEMAKING.**

The commissioner may adopt rules to implement the program.

Sec. 15. **[17.992] REPORTS.**

The commissioner, in consultation with the Minnesota Agricultural Water Quality Certification Program Advisory Committee, commissioner of natural resources, commissioner of the Pollution Control Agency, and Board of Water and Soil Resources, shall issue a biennial report to the chairs and ranking minority members of the legislative committees with jurisdiction over agricultural policy on the status of the program.

Sec. 16. **[17.993] FINANCIAL ASSISTANCE.**

The commissioner may use contributions from gifts or other state accounts, provided that the purpose of the expenditure is consistent with the purpose of the accounts, for grants, loans, or other financial assistance.

Sec. 17. Minnesota Statutes 2012, section 18.77, subdivision 3, is amended to read:

Subd. 3. **Control.** "Control" means to ~~destroy all or part of the aboveground growth of noxious weeds~~ manage or prevent the maturation and spread of propagating parts of noxious weeds from one area to another by a lawful method that does not cause unreasonable adverse effects on the environment as defined in section 18B.01, subdivision 31, ~~and prevents the maturation and spread of noxious weed propagating parts from one area to another.~~

Sec. 18. Minnesota Statutes 2012, section 18.77, subdivision 4, is amended to read:

Subd. 4. **Eradicate.** "Eradicate" means to destroy the aboveground ~~growth and the roots~~ and belowground plant parts of noxious weeds by a lawful method ~~that, which~~ prevents the maturation and spread of noxious weed propagating parts from one area to another.

Sec. 19. Minnesota Statutes 2012, section 18.77, subdivision 10, is amended to read:

Subd. 10. **Permanent pasture, hay meadow, woodlot, and or other noncrop area.** "Permanent pasture, hay meadow, woodlot, ~~and or~~ other noncrop area" means an area of predominantly native or seeded perennial plants that can be used for grazing or hay purposes but is not harvested on a regular basis and is not considered to be a growing crop.

Sec. 20. Minnesota Statutes 2012, section 18.77, subdivision 12, is amended to read:

Subd. 12. **Propagating parts.** "Propagating parts" means all plant parts, including seeds, that are capable of producing new plants.

Sec. 21. **[18.771] NOXIOUS WEED CATEGORIES.**

(a) For purposes of designation under section 18.79, subdivision 13, noxious weed category means each of the following categories.

(b) "Prohibited noxious weeds" includes noxious weeds that must be controlled or eradicated on all lands within the state. Transportation of a prohibited noxious weed's propagating parts is restricted by permit except as allowed by section 18.82. Prohibited noxious weeds may not be sold or propagated in Minnesota. There are two regulatory listings for prohibited noxious weeds in Minnesota:

(1) the noxious weed eradicate list is established. Prohibited noxious weeds placed on the noxious weed eradicate list are plants that are not currently known to be present in Minnesota or are not widely established. These species must be eradicated; and

(2) the noxious weed control list is established. Prohibited noxious weeds placed on the noxious weed control list are plants that are already established throughout Minnesota or regions of the state. Species on this list must at least be controlled.

(c) "Restricted noxious weeds" includes noxious weeds that are widely distributed in Minnesota, but for which the only feasible means of control is to prevent their spread by prohibiting the importation, sale, and transportation of their propagating parts in the state, except as allowed by section 18.82.

(d) "Specially regulated plants" includes noxious weeds that may be native species or have demonstrated economic value, but also have the potential to cause harm in noncontrolled environments. Plants designated as specially regulated have been determined to pose ecological, economical, or human or animal health concerns. Species specific management plans or rules that define the use and management requirements for these plants must be developed by the commissioner of agriculture for each plant designated as specially regulated. The commissioner must also take measures to minimize the potential for harm caused by these plants.

(e) "County noxious weeds" includes noxious weeds that are designated by individual county boards to be enforced as prohibited noxious weeds within the county's jurisdiction and must be approved by the commissioner of agriculture, in consultation with the Noxious Weed Advisory Committee. Each county board must submit newly proposed county noxious weeds to the commissioner of agriculture for review. Approved county noxious weeds shall also be posted with the county's general weed notice prior to May 15 each year. Counties are solely responsible for developing county noxious weed lists and their enforcement.

Sec. 22. Minnesota Statutes 2012, section 18.78, subdivision 3, is amended to read:

Subd. 3. **Cooperative Weed control agreement.** The commissioner, municipality, or county agricultural inspector or county-designated employee may enter into a ~~cooperative~~ weed control agreement with a landowner or weed management area group to establish a mutually agreed-upon noxious weed management plan for up to three years duration, whereby a noxious weed problem will be controlled without additional enforcement action. If a property owner fails to comply with the noxious weed management plan, an individual notice may be served.

Sec. 23. Minnesota Statutes 2012, section 18.79, subdivision 6, is amended to read:

Subd. 6. **Training for control or eradication of noxious weeds.** The commissioner shall conduct initial training considered necessary for inspectors and county-designated employees in the enforcement of the Minnesota Noxious Weed Law. The director of ~~the~~ University of Minnesota Extension ~~Service~~ may conduct educational programs for the general public that will aid compliance with the Minnesota Noxious Weed Law. Upon request, the commissioner may provide information and other technical assistance to the county agricultural inspector or county-designated employee to aid in the performance of responsibilities specified by the county board under section 18.81, subdivisions 1a and 1b.

Sec. 24. Minnesota Statutes 2012, section 18.79, subdivision 13, is amended to read:

Subd. 13. **Noxious weed designation.** The commissioner, in consultation with the Noxious Weed Advisory Committee, shall determine which plants are noxious weeds subject to ~~control~~ regulation under sections 18.76 to 18.91. The commissioner shall prepare, publish, and revise as necessary, but at least once every three years, a list of noxious weeds and their designated classification. The list must be distributed to the public by the commissioner who may request the help of ~~the~~ University of Minnesota Extension, the county agricultural inspectors, and any other organization the commissioner considers appropriate to assist in the distribution. The commissioner may, in consultation with the Noxious Weed Advisory Committee, accept and consider noxious weed designation petitions from Minnesota citizens or Minnesota organizations or associations.

Sec. 25. Minnesota Statutes 2012, section 18.82, subdivision 1, is amended to read:

Subdivision 1. **Permits.** Except as provided in section 21.74, if a person wants to transport along a public highway materials or equipment containing the propagating parts of weeds designated as noxious by the commissioner, the person must secure a written permit for transportation of the material or equipment from an inspector or county-designated employee. Inspectors or county-designated employees may issue permits to persons residing or operating within their jurisdiction. ~~If the noxious weed propagating parts are removed from materials and equipment or devitalized before being transported, a permit is not needed. A permit is not required for the transport of noxious weeds for the purpose of destroying propagating parts at a Department of Agriculture-approved disposal site. Anyone transporting noxious weed propagating parts for the purpose of disposal at an approved site shall ensure that all materials are contained in a manner that prevents escape during transport.~~

Sec. 26. Minnesota Statutes 2012, section 18.91, subdivision 1, is amended to read:

Subdivision 1. **Duties.** The commissioner shall consult with the Noxious Weed Advisory Committee to advise the commissioner concerning responsibilities under the noxious weed control program. The committee shall ~~also~~ evaluate species for invasiveness, difficulty of control, cost of control, benefits, and amount of injury caused by them. For each species evaluated, the committee shall recommend to the commissioner on which noxious weed list or lists, if any, the species should be placed. Species ~~currently~~ designated as prohibited or restricted noxious weeds or specially regulated plants must be reevaluated every three years for a recommendation on whether or not they need to remain on the noxious weed lists. The committee shall also advise the commissioner on the implementation of the Minnesota Noxious Weed Law and assist the commissioner in the development of management criteria for each noxious weed category. Members of the committee are not entitled to reimbursement of expenses nor payment of per diem. Members shall serve two-year terms with subsequent reappointment by the commissioner.

Sec. 27. Minnesota Statutes 2012, section 18.91, subdivision 2, is amended to read:

Subd. 2. **Membership.** The commissioner shall appoint members, which shall include representatives from the following:

- (1) horticultural science, agronomy, and forestry at the University of Minnesota;
- (2) the nursery and landscape industry in Minnesota;

- (3) the seed industry in Minnesota;
- (4) the Department of Agriculture;
- (5) the Department of Natural Resources;
- (6) a conservation organization;
- (7) an environmental organization;
- (8) at least two farm organizations;
- (9) the county agricultural inspectors;
- (10) city, township, and county governments;
- (11) the Department of Transportation;
- (12) the University of Minnesota Extension;
- (13) the timber and forestry industry in Minnesota;
- (14) the Board of Water and Soil Resources; ~~and~~
- (15) soil and water conservation districts;
- (16) Minnesota Association of County Land Commissioners; and
- (17) members as needed.

Sec. 28. Minnesota Statutes 2012, section 18B.01, is amended by adding a subdivision to read:

Subd. 4a. **Bulk pesticide storage facility.** "Bulk pesticide storage facility" means a facility that is required to have a permit under section 18B.14.

Sec. 29. Minnesota Statutes 2012, section 18B.07, subdivision 4, is amended to read:

Subd. 4. **Pesticide storage safeguards at application sites.** A person may not allow a pesticide, rinsate, or unrinsed pesticide container to be stored, kept, or to remain in or on any site without safeguards adequate to prevent an incident. Pesticides may not be stored in an area with access to an open drain, unless a safeguard is provided.

Sec. 30. Minnesota Statutes 2012, section 18B.07, subdivision 5, is amended to read:

Subd. 5. **Use of public water supplies for filling application equipment.** (a) A person may not fill pesticide application equipment directly from a public water supply, as defined in section 144.382, or from public waters, as defined in section 103G.005, subdivision 15, unless the outlet from the public equipment or water supply is equipped with a backflow prevention device that complies with the Minnesota Plumbing Code under Minnesota Rules, parts 4715.2000 to 4715.2280.

(b) Cross connections between a water supply used for filling pesticide application equipment are prohibited.

(c) This subdivision does not apply to permitted applications of aquatic pesticides to public waters.

Sec. 31. Minnesota Statutes 2012, section 18B.07, subdivision 7, is amended to read:

Subd. 7. ~~Cleaning equipment in or near surface water~~ **Pesticide handling restrictions.** (a) A person may not:

(1) clean pesticide application equipment in surface waters of the state; or

(2) fill or clean pesticide application equipment adjacent to surface waters, ditches, or wells where, because of the slope or other conditions, pesticides or materials contaminated with pesticides could enter or contaminate the surface waters, groundwater, or wells, as a result of overflow, leakage, or other causes.

(b) This subdivision does not apply to permitted application of aquatic pesticides to public waters.

Sec. 32. Minnesota Statutes 2012, section 18B.26, subdivision 3, is amended to read:

Subd. 3. **Registration application and gross sales fee.** (a) For an agricultural pesticide, a registrant shall pay an annual registration application fee for each agricultural pesticide of \$350. The fee is due by December 31 preceding the year for which the application for registration is made. The fee is nonrefundable.

(b) For a nonagricultural pesticide, a registrant shall pay a minimum annual registration application fee for each nonagricultural pesticide of \$350. The fee is due by December 31 preceding the year for which the application for registration is made. The fee is nonrefundable. The registrant of a nonagricultural pesticide shall pay, in addition to the \$350 minimum fee, a fee of 0.5 percent of annual gross sales of the nonagricultural pesticide in the state and the annual gross sales of the nonagricultural pesticide sold into the state for use in this state. ~~The commissioner may not assess a fee under this paragraph if the amount due based on percent of annual gross sales is less than \$10. No fee is required if the fee due amount based on percent of annual gross sales of a nonagricultural pesticide is less than \$10.~~ The registrant shall secure sufficient sales information of nonagricultural pesticides distributed into this state from distributors and dealers, regardless of distributor location, to make a determination. Sales of nonagricultural pesticides in this state and sales of nonagricultural pesticides for use in this state by out-of-state distributors are not exempt and must be included in the registrant's annual report, as required under paragraph (g), and fees shall be paid by the registrant based upon those reported sales. Sales of nonagricultural pesticides in the state for use outside of the state are exempt from the gross sales fee in this paragraph if the registrant properly documents the sale location and distributors. A registrant paying more than the minimum fee shall pay the balance due by March 1 based on the gross sales of the nonagricultural pesticide by the registrant for the preceding calendar year. A pesticide determined by the commissioner to be a sanitizer or disinfectant is exempt from the gross sales fee.

(c) For agricultural pesticides, a licensed agricultural pesticide dealer or licensed pesticide dealer shall pay a gross sales fee of 0.55 percent of annual gross sales of the agricultural pesticide in the state and the annual gross sales of the agricultural pesticide sold into the state for use in this state.

(d) In those cases where a registrant first sells an agricultural pesticide in or into the state to a pesticide end user, the registrant must first obtain an agricultural pesticide dealer license and is responsible for payment of the annual gross sales fee under paragraph (c), record keeping under paragraph (i), and all other requirements of section 18B.316.

(e) If the total annual revenue from fees collected in fiscal year 2011, 2012, or 2013, by the commissioner on the registration and sale of pesticides is less than \$6,600,000, the commissioner, after a public hearing, may increase proportionally the pesticide sales and product registration fees under this chapter by the amount necessary to ensure this level of revenue is achieved. The authority under this section expires on June 30, 2014. The commissioner shall report any fee increases under this paragraph 60 days before the fee change is effective to the senate and house of representatives agriculture budget divisions.

(f) An additional fee of 50 percent of the registration application fee must be paid by the applicant for each pesticide to be registered if the application is a renewal application that is submitted after December 31.



(g) A registrant must annually report to the commissioner the amount, type and annual gross sales of each registered nonagricultural pesticide sold, offered for sale, or otherwise distributed in the state. The report shall be filed by March 1 for the previous year's registration. The commissioner shall specify the form of the report or approve the method for submittal of the report and may require additional information deemed necessary to determine the amount and type of nonagricultural pesticide annually distributed in the state. The information required shall include the brand name, United States Environmental Protection Agency registration number, and amount of each nonagricultural pesticide sold, offered for sale, or otherwise distributed in the state, but the information collected, if made public, shall be reported in a manner which does not identify a specific brand name in the report.

(h) A licensed agricultural pesticide dealer or licensed pesticide dealer must annually report to the commissioner the amount, type, and annual gross sales of each registered agricultural pesticide sold, offered for sale, or otherwise distributed in the state or into the state for use in the state. The report must be filed by January 31 for the previous year's sales. The commissioner shall specify the form, contents, and approved electronic method for submittal of the report and may require additional information deemed necessary to determine the amount and type of agricultural pesticide annually distributed within the state or into the state. The information required must include the brand name, United States Environmental Protection Agency registration number, and amount of each agricultural pesticide sold, offered for sale, or otherwise distributed in the state or into the state.

(i) A person who registers a pesticide with the commissioner under paragraph (b), or a registrant under paragraph (d), shall keep accurate records for five years detailing all distribution or sales transactions into the state or in the state and subject to a fee and surcharge under this section.

(j) The records are subject to inspection, copying, and audit by the commissioner and must clearly demonstrate proof of payment of all applicable fees and surcharges for each registered pesticide product sold for use in this state. A person who is located outside of this state must maintain and make available records required by this subdivision in this state or pay all costs incurred by the commissioner in the inspecting, copying, or auditing of the records.

(k) The commissioner may adopt by rule regulations that require persons subject to audit under this section to provide information determined by the commissioner to be necessary to enable the commissioner to perform the audit.

(l) A registrant who is required to pay more than the minimum fee for any pesticide under paragraph (b) must pay a late fee penalty of \$100 for each pesticide application fee paid after March 1 in the year for which the license is to be issued.

Sec. 33. Minnesota Statutes 2012, section 18B.305, is amended to read:

**18B.305 PESTICIDE EDUCATION AND TRAINING.**

Subdivision 1. **Education and training.** (a) The commissioner, as the lead agency, shall develop, implement or approve, and evaluate, in conjunction consultation with the University of Minnesota Extension Service, the Minnesota State Colleges and Universities system, and other educational institutions, innovative educational and training programs addressing pesticide concerns including:

- (1) water quality protection;
- (2) endangered species protection;
- (3) minimizing pesticide residues in food and water;
- (4) worker protection and applicator safety;

- (5) chronic toxicity;
- (6) integrated pest management and pest resistance; ~~and~~
- (7) pesticide disposal;
- (8) pesticide drift;
- (9) relevant laws including pesticide labels and labeling and state and federal rules and regulations; and
- (10) current science and technology updates.

(b) The commissioner shall appoint educational planning committees which must include representatives of industry and applicators.

(c) Specific current regulatory concerns must be discussed and, if appropriate, incorporated into each training session. Relevant changes to pesticide product labels or labeling or state and federal rules and regulations may be included.

(d) The commissioner may approve programs from private industry, higher education institutions, and nonprofit organizations that meet minimum requirements for education, training, and certification.

Subd. 2. **Training manual and examination development.** The commissioner, in ~~conjunction~~ consultation with ~~the~~ University of Minnesota Extension ~~Service~~ and other higher education institutions, shall continually revise and update pesticide applicator training manuals and examinations. The manuals and examinations must be written to meet or exceed the minimum standards required by the United States Environmental Protection Agency and pertinent state specific information. Questions in the examinations must be determined by the commissioner in consultation with other responsible agencies. Manuals and examinations must include pesticide management practices that discuss prevention of pesticide occurrence in ~~groundwaters~~ groundwater and surface water of the state.

Sec. 34. Minnesota Statutes 2012, section 18B.316, subdivision 1, is amended to read:

Subdivision 1. **Requirement.** (a) A person must not ~~distribute~~ offer for sale or sell an agricultural pesticide in the state or into the state without first obtaining an agricultural pesticide dealer license.

(b) Each location or place of business from which an agricultural pesticide is ~~distributed~~ offered for sale or sold in the state or into the state is required to have a separate agricultural pesticide dealer license.

(c) A person who is a licensed pesticide dealer under section 18B.31 is not required to also be licensed under this subdivision.

Sec. 35. Minnesota Statutes 2012, section 18B.316, subdivision 3, is amended to read:

Subd. 3. **Resident agent.** A person required to be licensed under subdivisions 1 and 2, or a person licensed as a pesticide dealer pursuant to section 18B.31 and who operates from a location or place of business outside the state and who ~~distributes~~ offers for sale or sells an agricultural pesticide into the state, must continuously maintain in this state the following:

- (1) a registered office; and

(2) a registered agent, who may be either a resident of this state whose business office or residence is identical with the registered office under clause (1), a domestic corporation or limited liability company, or a foreign corporation of limited liability company authorized to transact business in this state and having a business office identical with the registered office.

A person licensed under this section or section 18B.31 shall annually file with the commissioner, either at the time of initial licensing or as part of license renewal, the name, address, telephone number, and e-mail address of the licensee's registered agent.

For licensees under section 18B.31 who are located in the state, the licensee is the registered agent.

Sec. 36. Minnesota Statutes 2012, section 18B.316, subdivision 4, is amended to read:

Subd. 4. **Responsibility.** The resident agent is responsible for the acts of a licensed agricultural pesticide dealer, or of a licensed pesticide dealer under section 18B.31 who operates from a location or place of business outside the state and who ~~distributes~~ offers for sale or sells an agricultural pesticide into the state, as well as the acts of the employees of those licensees.

Sec. 37. Minnesota Statutes 2012, section 18B.316, subdivision 8, is amended to read:

Subd. 8. **Report of sales and payment to commissioner.** A person who is an agricultural pesticide dealer, or is a licensed pesticide dealer under section 18B.31, who ~~distributes~~ offers for sale or sells an agricultural pesticide in or into the state, and a pesticide registrant pursuant to section 18B.26, subdivision 3, paragraph (d), shall no later than January 31 of each year report and pay applicable fees on annual gross sales of agricultural pesticides to the commissioner pursuant to requirements under section 18B.26, subdivision 3, paragraphs (c) and (h).

Sec. 38. Minnesota Statutes 2012, section 18B.316, subdivision 9, is amended to read:

Subd. 9. **Application.** (a) A person must apply to the commissioner for an agricultural pesticide dealer license on forms and in a manner approved by the commissioner.

(b) The applicant must be the person in charge of each location or place of business from which agricultural pesticides are ~~distributed~~ offered for sale or sold in or into the state.

(c) The commissioner may require that the applicant provide information regarding the applicant's proposed operations and other information considered pertinent by the commissioner.

(d) The commissioner may require additional demonstration of licensee qualification if the licensee has had a license suspended or revoked, or has otherwise had a history of violations in another state or violations of this chapter.

(e) A licensed agricultural pesticide dealer who changes the dealer's address or place of business must immediately notify the commissioner of the change.

(f) Beginning January 1, 2011, an application for renewal of an agricultural pesticide dealer license is complete only when a report and any applicable payment of fees under subdivision 8 are received by the commissioner.

Sec. 39. Minnesota Statutes 2012, section 18B.37, subdivision 4, is amended to read:

Subd. 4. ~~**Storage, handling, Incident response, and disposal plan.**~~ A pesticide dealer, agricultural pesticide dealer, or a commercial, noncommercial, or structural pest control ~~applicator or the business that the applicator is employed by~~ business must develop and maintain a an incident response plan that describes ~~its pesticide storage,~~

~~handling, incident response, and disposal practices~~ the actions that will be taken to prevent and respond to pesticide incidents. The plan must contain the same information as forms provided by the commissioner. The plan must be kept at a principal business site or location within this state and must be submitted to the commissioner upon request ~~on forms provided by the commissioner.~~ The plan must be available for inspection by the commissioner.

Sec. 40. Minnesota Statutes 2012, section 18C.111, subdivision 4, is amended to read:

Subd. 4. **Certification of regulatory compliance.** (a) The commissioner may, under rules adopted under section 18C.121, subdivision 1, certify a person to offer or perform a regulatory compliance inspection of any person or site that stores, handles, or distributes ammonia or anhydrous ammonia fertilizer. The deadlines established in section 14.125, are extended until June 30, 2014, for rules adopted under this subdivision.

(b) Pursuant to those rules, a person certified under paragraph (a) may issue a certification of compliance to an inspected person or site if the certified person documents in writing full compliance with the provisions of this chapter and rules adopted under this chapter.

(c) A person or site issued a certification of compliance must provide a copy of the certification to the commissioner immediately upon request or within 90 days following certification.

(d) Certifications of compliance are valid for a period of three years. The commissioner may determine a different time period in the interest of public safety or for other reasonable cause.

Sec. 41. Minnesota Statutes 2012, section 18C.430, is amended to read:

#### **18C.430 COMMERCIAL ANIMAL WASTE TECHNICIAN.**

Subdivision 1. **Requirement.** ~~(a) Except as provided in paragraph (c), after March 1, 2000, A person may not manage or apply animal wastes to the land for hire without a valid commercial animal waste technician license. This section does not apply to a person managing or applying animal waste on land managed by the person's employer.;~~

(1) without a valid commercial animal waste technician applicator license;

(2) without a valid commercial animal waste technician site manager license; or

(3) as a sole proprietorship, company, partnership, or corporation unless a commercial animal waste technician company license is held and a commercial animal waste technical site manager is employed by the entity.

(b) A person managing or applying animal wastes for hire must have a valid license identification card when managing or applying animal wastes for hire and must display it upon demand by an authorized representative of the commissioner or a law enforcement officer. The commissioner shall prescribe the information required on the license identification card.

~~(c) A person who is not a licensed commercial animal waste technician who has had at least two hours of training or experience in animal waste management may manage or apply animal waste for hire under the supervision of a commercial animal waste technician. A commercial animal waste technician applicator must have a minimum of two hours of certification training in animal waste management and may only manage or apply animal waste for hire under the supervision of a commercial animal waste technician site manager. The commissioner shall prescribe the conditions of the supervision and the form and format required on the certification training.~~

(d) This section does not apply to a person managing or applying animal waste on land managed by the person's employer.

Subd. 2. **Responsibility.** A person required to be licensed under this section who performs animal waste management or application for hire or who employs a person to perform animal waste management or application for compensation is responsible for proper management or application of the animal wastes.

Subd. 3. **License.** (a) A commercial animal waste technician license, including applicator, site manager, and company:

(1) is valid for ~~three years~~ one year and expires on December 31 of the ~~third~~ year for which it is issued, unless suspended or revoked before that date;

(2) is not transferable to another person; and

(3) must be prominently displayed to the public in the commercial animal waste technician's place of business.

(b) The commercial animal waste technician company license number assigned by the commissioner must appear on the application equipment when a person manages or applies animal waste for hire.

Subd. 4. **Application.** (a) A person must apply to the commissioner for a commercial animal waste technician license on forms and in the manner required by the commissioner and must include the application fee. The commissioner shall prescribe and administer an examination or equivalent measure to determine if the applicant is eligible for the commercial animal waste technician license, site manager license, or applicator license.

(b) The commissioner of agriculture, in cooperation with ~~the~~ University of Minnesota Extension Service and appropriate educational institutions, shall establish and implement a program for training and licensing commercial animal waste technicians.

Subd. 5. **Renewal application.** (a) A person must apply to the commissioner of agriculture to renew a commercial animal waste technician license and must include the application fee. The commissioner may renew a commercial animal waste technician applicator or site manager license, subject to reexamination, attendance at workshops approved by the commissioner, or other requirements imposed by the commissioner to provide the animal waste technician with information regarding changing technology and to help ensure a continuing level of competence and ability to manage and apply animal wastes properly. The applicant may renew a commercial animal waste technician license within 12 months after expiration of the license without having to meet initial testing requirements. The commissioner may require additional demonstration of animal waste technician qualification if a person has had a license suspended or revoked or has had a history of violations of this section.

(b) An applicant who meets renewal requirements by reexamination instead of attending workshops must pay a fee for the reexamination as determined by the commissioner.

Subd. 6. **Financial responsibility.** (a) A commercial animal waste technician license may not be issued unless the applicant furnishes proof of financial responsibility. The financial responsibility may be demonstrated by (1) proof of net assets equal to or greater than \$50,000, or (2) a performance bond or insurance of the kind and in an amount determined by the commissioner of agriculture.

(b) The bond or insurance must cover a period of time at least equal to the term of the applicant's license. The commissioner shall immediately suspend the license of a person who fails to maintain the required bond or insurance.

(c) An employee of a licensed person is not required to maintain an insurance policy or bond during the time the employer is maintaining the required insurance or bond.

(d) Applications for reinstatement of a license suspended under paragraph (b) must be accompanied by proof of satisfaction of judgments previously rendered.

Subd. 7. **Application fee.** (a) A person initially applying for or renewing a commercial animal waste technician applicator license must pay a nonrefundable application fee of \$50 and a fee of \$10 for each additional identification card requested. \$25. A person initially applying for or renewing a commercial animal waste technician site manager license must pay a nonrefundable application fee of \$50. A person initially applying for or renewing a commercial animal waste technician company license must pay a nonrefundable application fee of \$100.

(b) A license renewal application received after March 1 in the year for which the license is to be issued is subject to a penalty fee of 50 percent of the application fee. The penalty fee must be paid before the renewal license may be issued.

(c) An application for a duplicate commercial animal waste technician license must be accompanied by a nonrefundable fee of \$10.

Sec. 42. Minnesota Statutes 2012, section 18C.433, subdivision 1, is amended to read:

Subdivision 1. **Requirement.** Beginning January 1, 2006, only a commercial animal waste technician, site manager or commercial animal waste technician applicator may apply animal waste from a feedlot that:

- (1) has a capacity of 300 animal units or more; and
- (2) does not have an updated manure management plan that meets the requirements of Pollution Control Agency rules.

Sec. 43. Minnesota Statutes 2012, section 31.94, is amended to read:

### **31.94 COMMISSIONER DUTIES.**

(a) In order to promote opportunities for organic agriculture in Minnesota, the commissioner shall:

(1) survey producers and support services and organizations to determine information and research needs in the area of organic agriculture practices;

(2) work with the University of Minnesota to demonstrate the on-farm applicability of organic agriculture practices to conditions in this state;

(3) direct the programs of the department so as to work toward the promotion of organic agriculture in this state;

(4) inform agencies of how state or federal programs could utilize and support organic agriculture practices; and

(5) work closely with producers, the University of Minnesota, the Minnesota Trade Office, and other appropriate organizations to identify opportunities and needs as well as ensure coordination and avoid duplication of state agency efforts regarding research, teaching, marketing, and extension work relating to organic agriculture.

(b) By November 15 of each year that ends in a zero or a five, the commissioner, in conjunction with the task force created in paragraph (c), shall report on the status of organic agriculture in Minnesota to the legislative policy and finance committees and divisions with jurisdiction over agriculture. The report must include available data on organic acreage and production, available data on the sales or market performance of organic products, and recommendations regarding programs, policies, and research efforts that will benefit Minnesota's organic agriculture sector.

(c) A Minnesota Organic Advisory Task Force shall advise the commissioner and the University of Minnesota on policies and programs that will improve organic agriculture in Minnesota, including how available resources can most effectively be used for outreach, education, research, and technical assistance that meet the needs of the organic agriculture community. The task force must consist of the following residents of the state:

- (1) three organic farmers ~~using organic agriculture methods~~;
- (2) one wholesaler or distributor of organic products;
- (3) one representative of organic certification agencies;
- (4) two organic processors;
- (5) one representative from University of Minnesota Extension;
- (6) one University of Minnesota faculty member;
- (7) one representative from a nonprofit organization representing producers;
- (8) two public members;
- (9) one representative from the United States Department of Agriculture;
- (10) one retailer of organic products; and
- (11) one organic consumer representative.

The commissioner, in consultation with the director of the Minnesota Agricultural Experiment Station; the dean and director of University of Minnesota Extension; and the dean of the College of Food, Agricultural and Natural Resource Sciences, shall appoint members to serve ~~staggered two-year~~ three-year terms.

Compensation and removal of members are governed by section 15.059, subdivision 6. The task force must meet at least twice each year and expires on June 30, ~~2013~~ 2016.

(d) For the purposes of expanding, improving, and developing production and marketing of the organic products of Minnesota agriculture, the commissioner may receive funds from state and federal sources and spend them, including through grants or contracts, to assist producers and processors to achieve certification, to conduct education or marketing activities, to enter into research and development partnerships, or to address production or marketing obstacles to the growth and well-being of the industry.

(e) The commissioner may facilitate the registration of state organic production and handling operations including those exempt from organic certification according to Code of Federal Regulations, title 7, section 205.101, and certification agents operating within the state.

Sec. 44. Minnesota Statutes 2012, section 41A.10, subdivision 2, is amended to read:

Subd. 2. **Cellulosic biofuel production goal.** The state cellulosic biofuel production goal is one-quarter of the total amount necessary for ~~ethanol~~ biofuel use required under section 239.791, subdivision ~~4~~ 1, by 2015 or when cellulosic biofuel facilities in the state attain a total annual production level of 60,000,000 gallons, whichever is first.

Sec. 45. Minnesota Statutes 2012, section 41A.10, is amended by adding a subdivision to read:

Subd. 3. **Expiration.** This section expires January 1, 2015.

Sec. 46. Minnesota Statutes 2012, section 41A.105, subdivision 1a, is amended to read:

Subd. 1a. **Definitions.** For the purpose of this section:

(1) "biobased content" means a chemical, polymer, monomer, or plastic that is not sold primarily for use as food, feed, or fuel and that has a biobased percentage of at least 51 percent as determined by testing representative samples using American Society for Testing and Materials specification D6866;

(2) "biobased formulated product" means a product that is not sold primarily for use as food, feed, or fuel and that has a biobased content percentage of at least ten percent as determined by testing representative samples using American Society for Testing and Materials specification D6866, or that contains a biobased chemical constituent that displaces a known hazardous or toxic constituent previously used in the product formulation;

~~(4)~~ (3) "biobutanol facility" means a facility at which biobutanol is produced; and

~~(2)~~ (4) "biobutanol" means fermentation isobutyl alcohol that is derived from agricultural products, including potatoes, cereal grains, cheese whey, and sugar beets; forest products; or other renewable resources, including residue and waste generated from the production, processing, and marketing of agricultural products, forest products, and other renewable resources.

Sec. 47. Minnesota Statutes 2012, section 41A.105, subdivision 3, is amended to read:

Subd. 3. **Duties.** The board shall research and report to the commissioner of agriculture and to the legislature recommendations as to how the state can invest its resources to most efficiently achieve energy independence, agricultural and natural resources sustainability, and rural economic vitality. The board shall:

(1) examine the future of fuels, such as synthetic gases, biobutanol, hydrogen, methanol, biodiesel, and ethanol within Minnesota;

(2) examine the opportunity for biobased content and biobased formulated product production at integrated biorefineries or stand alone facilities using agricultural and forestry feedstocks;

~~(2)~~ (3) develop equity grant programs to assist locally owned facilities;

~~(3)~~ (4) study the proper role of the state in creating financing and investing and providing incentives;

~~(4)~~ (5) evaluate how state and federal programs, including the Farm Bill, can best work together and leverage resources;

~~(5)~~ (6) work with other entities and committees to develop a clean energy program; and

~~(6)~~ (7) report to the legislature before February 1 each year with recommendations as to appropriations and results of past actions and projects.

Sec. 48. Minnesota Statutes 2012, section 41A.105, subdivision 5, is amended to read:

Subd. 5. **Expiration.** This section expires June 30, ~~2014~~ 2015.

Sec. 49. Minnesota Statutes 2012, section 41A.12, subdivision 3, is amended to read:

Subd. 3. **Oversight.** The commissioner, in consultation with the chairs and ranking minority members of the house of representatives and senate committees with jurisdiction over agriculture finance, must allocate available



funds among eligible uses, develop competitive eligibility criteria, and award funds on a needs basis. By February 1 each year, the commissioner shall report to the legislature on the allocation among eligible uses and any financial assistance provided under this section.

Sec. 50. Minnesota Statutes 2012, section 41A.12, is amended by adding a subdivision to read:

Subd. 3a. **Grant awards.** Grant projects may continue for up to three years. Multiyear projects must be reevaluated by the commissioner before second- and third-year funding is approved. A project is limited to one grant for its funding.

Sec. 51. Minnesota Statutes 2012, section 41B.04, subdivision 9, is amended to read:

Subd. 9. **Restructured loan agreement.** (a) For a deferred restructured loan, all payments on the primary and secondary principal, all payments of interest on the secondary principal, and an agreed portion of the interest payable to the eligible agricultural lender on the primary principal must be deferred to the end of the term of the loan.

(b) Interest on secondary principal must accrue at a below market interest rate.

(c) At the conclusion of the term of the restructured loan, the borrower owes primary principal, secondary principal, and deferred interest on primary and secondary principal. However, part of this balloon payment may be forgiven following an appraisal by the lender and the authority to determine the current market value of the real estate subject to the mortgage. If the current market value of the land after appraisal is less than the amount of debt owed by the borrower to the lender and authority on this obligation, that portion of the obligation that exceeds the current market value of the real property must be forgiven by the lender and the authority in the following order:

(1) deferred interest on secondary principal;

(2) secondary principal;

(3) deferred interest on primary principal;

(4) primary principal as provided in an agreement between the authority and the lender; and

(5) accrued but not deferred interest on primary principal.

(d) For an amortized restructured loan, payments must include installments on primary principal and interest on the primary principal. An amortized restructured loan must be amortized over a time period and upon terms to be established by the authority by rule.

(e) A borrower may prepay the restructured loan, with all primary and secondary principal and interest and deferred interest at any time ~~without prepayment penalty.~~

(f) The authority may not participate in refinancing a restructured loan at the conclusion of the restructured loan.

Sec. 52. Minnesota Statutes 2012, section 41D.01, subdivision 4, is amended to read:

Subd. 4. **Expiration.** This section expires on June 30, ~~2013~~ 2018.

Sec. 53. Minnesota Statutes 2012, section 116J.437, subdivision 1, is amended to read:

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

(b) "Green economy" means products, processes, methods, technologies, or services intended to do one or more of the following:

(1) increase the use of energy from renewable sources, including through achieving the renewable energy standard established in section 216B.1691;

(2) achieve the statewide energy-savings goal established in section 216B.2401, including energy savings achieved by the conservation investment program under section 216B.241;

(3) achieve the greenhouse gas emission reduction goals of section 216H.02, subdivision 1, including through reduction of greenhouse gas emissions, as defined in section 216H.01, subdivision 2, or mitigation of the greenhouse gas emissions through, but not limited to, carbon capture, storage, or sequestration;

(4) monitor, protect, restore, and preserve the quality of surface waters, including actions to further the purposes of the Clean Water Legacy Act as provided in section 114D.10, subdivision 1;

(5) expand the use of biofuels, including by expanding the feasibility or reducing the cost of producing biofuels or the types of equipment, machinery, and vehicles that can use biofuels, including activities to achieve the ~~biofuels 25 by 2025 initiative in sections 41A.10, subdivision 2, and 41A.11~~ petroleum replacement goal in section 239.7911; or

(6) increase the use of green chemistry, as defined in section 116.9401.

For the purpose of clause (3), "green economy" includes strategies that reduce carbon emissions, such as utilizing existing buildings and other infrastructure, and utilizing mass transit or otherwise reducing commuting for employees.

Sec. 54. Minnesota Statutes 2012, section 223.17, is amended by adding a subdivision to read:

Subd. 7a. **Bond requirements; claims.** For entities licensed under this chapter and chapter 232, the bond requirements and claims against the bond are governed under section 232.22, subdivision 6a.

Sec. 55. Minnesota Statutes 2012, section 232.22, is amended by adding a subdivision to read:

Subd. 6a. **Bond determinations.** If a public grain warehouse operator is licensed under both this chapter and chapter 223, the warehouse shall have its bond determined by its gross annual grain purchase amount or its annual average grain storage value, whichever is greater. For those entities licensed under this chapter and chapter 223, the entire bond shall be available to any claims against the bond for claims filed under this chapter and chapter 223.

Sec. 56. Minnesota Statutes 2012, section 239.051, is amended by adding a subdivision to read:

Subd. 1a. **Advanced biofuel.** "Advanced biofuel" has the meaning given in Public Law 110-140, title 2, subtitle A, section 201.

Sec. 57. Minnesota Statutes 2012, section 239.051, is amended by adding a subdivision to read:

Subd. 5a. **Biofuel.** "Biofuel" means a renewable fuel with an approved pathway under authority of the federal Energy Policy Act of 2005, Public Law 109-58, as amended by the federal Energy Independence and Security Act of 2007, Public Law 110-140, and approved for sale by the United States Environmental Protection Agency. The term "biofuel" includes both advanced and conventional biofuels.

Sec. 58. Minnesota Statutes 2012, section 239.051, is amended by adding a subdivision to read:

Subd. 7a. **Conventional biofuel.** "Conventional biofuel" means ethanol derived from cornstarch, as defined in Public Law 110-140, title 2, subtitle A, section 201.

Sec. 59. Minnesota Statutes 2012, section 239.761, subdivision 3, is amended to read:

Subd. 3. **Gasoline.** (a) Gasoline that is not blended with ~~ethanol biofuel~~ must not be contaminated with water or other impurities and must comply with ASTM specification D4814-08b. Gasoline that is not blended with ~~ethanol biofuel~~ must also comply with the volatility requirements in Code of Federal Regulations, title 40, part 80.

(b) After gasoline is sold, transferred, or otherwise removed from a refinery or terminal, a person responsible for the product:

(1) may blend the gasoline with agriculturally derived ethanol as provided in subdivision 4;

(2) shall not blend the gasoline with any oxygenate other than ~~denatured, agriculturally derived ethanol biofuel~~;

(3) shall not blend the gasoline with other petroleum products that are not gasoline or ~~denatured, agriculturally derived ethanol biofuel~~;

(4) shall not blend the gasoline with products commonly and commercially known as casinghead gasoline, absorption gasoline, condensation gasoline, drip gasoline, or natural gasoline; and

(5) may blend the gasoline with a detergent additive, an antiknock additive, or an additive designed to replace tetra-ethyl lead, that is registered by the EPA.

Sec. 60. Minnesota Statutes 2012, section 239.791, subdivision 1, is amended to read:

Subdivision 1. **Minimum ~~ethanol biofuel~~ content required.** (a) Except as provided in subdivisions 10 to 14, a person responsible for the product shall ensure that all gasoline sold or offered for sale in Minnesota must contain at least the quantity of ~~ethanol biofuel~~ required by clause (1) or (2), ~~whichever is greater at the option of the person responsible for the product~~:

(1) the greater of:

~~(i) 10.0 percent denatured-ethanol conventional biofuel by volume; or~~

~~(ii) the maximum percent of denatured-ethanol conventional biofuel by volume authorized in a waiver granted by the United States Environmental Protection Agency; or~~

(2) 10.0 percent of a biofuel, other than a conventional biofuel, by volume authorized in a waiver granted by the United States Environmental Protection Agency or a biofuel formulation registered by the United States Environmental Protection Agency under United States Code, title 42, section 7545.

(b) For purposes of enforcing the ~~minimum-ethanol~~ requirement of paragraph (a), clause (1), ~~item (i), a gasoline/ethanol gasoline/biofuel blend will be construed to be in compliance if the ethanol biofuel content, exclusive of denaturants and other permitted components, comprises not less than 9.2 percent by volume and not more than 10.0 percent by volume of the blend as determined by an appropriate United States Environmental Protection Agency or American Society of Testing Materials standard method of analysis of alcohol/other content in engine fuels.~~

(c) ~~The provisions of this subdivision are suspended during any period of time that subdivision 1a, paragraph (a), is in effect. The aggregate amount of biofuel blended pursuant to this subdivision may be any biofuel; however, conventional biofuel must comprise no less than the portion specified on and after the specified dates:~~

<u>(1)</u>	<u>July 1, 2013</u>	<u>90 percent</u>
<u>(2)</u>	<u>January 1, 2015</u>	<u>80 percent</u>
<u>(3)</u>	<u>January 1, 2017</u>	<u>70 percent</u>
<u>(4)</u>	<u>January 1, 2020</u>	<u>60 percent</u>
<u>(5)</u>	<u>January 1, 2025</u>	<u>no minimum</u>

Sec. 61. Minnesota Statutes 2012, section 239.791, subdivision 2a, is amended to read:

Subd. 2a. **Federal Clean Air Act waivers; conditions.** (a) Before a waiver granted by the United States Environmental Protection Agency under ~~section 211(f)(4) of the Clean Air Act~~, United States Code, title 42, section 7545, ~~subsection (f), paragraph (4)~~, may alter the minimum content level required by subdivision 1, paragraph (a), ~~clause (2), or subdivision 1a, paragraph (a), clause (2) (1), item (ii)~~, the waiver must:

(1) apply to all gasoline-powered motor vehicles irrespective of model year; and

(2) allow for special regulatory treatment of Reid vapor pressure under Code of Federal Regulations, title 40, section 80.27, paragraph (d), for blends of gasoline and ethanol up to the maximum percent of denatured ethanol by volume authorized under the waiver.

(b) The minimum ~~ethanol~~ biofuel requirement in subdivision 1, paragraph (a), ~~clause (2), or subdivision 1a, paragraph (a), clause (2) (1), item (ii)~~, shall, upon the grant of the federal waiver, be effective the day after the commissioner of commerce publishes notice in the State Register. In making this determination, the commissioner shall consider the amount of time required by refiners, retailers, pipeline and distribution terminal companies, and other fuel suppliers, acting expeditiously, to make the operational and logistical changes required to supply fuel in compliance with the minimum ~~ethanol~~ biofuel requirement.

Sec. 62. Minnesota Statutes 2012, section 239.791, subdivision 2b, is amended to read:

Subd. 2b. **Limited liability waiver.** No motor fuel shall be deemed to be a defective product by virtue of the fact that the motor fuel is formulated or blended pursuant to the requirements of subdivision 1, paragraph (a), ~~clause (2), or subdivision 1a (1), item (ii)~~, under any theory of liability except for simple or willful negligence or fraud. This subdivision does not preclude an action for negligent, fraudulent, or willful acts. This subdivision does not affect a person whose liability arises under chapter 115, water pollution control; 115A, waste management; 115B, environmental response and liability; 115C, leaking underground storage tanks; or 299J, pipeline safety; under public nuisance law for damage to the environment or the public health; under any other environmental or public health law; or under any environmental or public health ordinance or program of a municipality as defined in section 466.01.

Sec. 63. Minnesota Statutes 2012, section 239.7911, is amended to read:

### **239.7911 PETROLEUM REPLACEMENT PROMOTION.**

Subdivision 1. **Petroleum replacement goal.** The tiered petroleum replacement goal of the state of Minnesota is that biofuel comprises at least the specified portion of total gasoline sold or offered for sale in this state by each specified year:

~~(1) at least 20 percent of the liquid fuel sold in the state is derived from renewable sources by December 31, 2015; and~~

~~(2) at least 25 percent of the liquid fuel sold in the state is derived from renewable sources by December 31, 2025.~~

<u>(1)</u>	<u>2015</u>	<u>14 percent</u>
<u>(2)</u>	<u>2017</u>	<u>18 percent</u>
<u>(3)</u>	<u>2020</u>	<u>25 percent</u>
<u>(4)</u>	<u>2025</u>	<u>30 percent</u>

Subd. 2. **Promotion of renewable liquid fuels.** (a) The commissioner of agriculture, in consultation with the commissioners of commerce and the Pollution Control Agency, shall identify and implement activities necessary ~~for the widespread use of renewable liquid fuels in the state~~ to achieve the goals in subdivision 1. Beginning November 1, 2005, and continuing through 2015, the commissioners, or their designees, shall ~~work with~~ convene a task force pursuant to section 15.014 that includes representatives from the renewable fuels industry, petroleum retailers, refiners, automakers, small engine manufacturers, and other interested groups, ~~to~~. The task force shall assist the commissioners in carrying out the activities in paragraph (b) and eliminating barriers to the use of greater biofuel blends in this state. The task force must coordinate efforts with the NextGen Energy Board, the biodiesel task force, and the Renewable Energy Roundtable and develop annual recommendations for administrative and legislative action.

(b) The activities of the commissioners under this subdivision shall include, but not be limited to:

(1) developing recommendations for specific, cost-effective incentives necessary to expedite the use of greater biofuel blends in this state including, but not limited to, incentives for retailers to install equipment necessary ~~for dispensing to dispense~~ renewable liquid fuels to the public;

(2) expanding the renewable-fuel options available to Minnesota consumers by obtaining federal approval for the use of ~~E20 and~~ additional blends that contain a greater percentage of ~~ethanol, including but not limited to E30 and E50, as gasoline biofuel;~~

(3) developing recommendations ~~for ensuring to ensure~~ that motor vehicles and small engine equipment have access to an adequate supply of fuel;

(4) working with the owners and operators of large corporate automotive fleets in the state to increase their use of renewable fuels; ~~and~~

(5) working to maintain an affordable retail price for liquid fuels;

(6) facilitating the production and use of advanced biofuels in this state; and

(7) developing procedures for reporting the amount and type of biofuel under subdivision 1 and section 239.791, subdivision 1, paragraph (c).

(c) Notwithstanding section 15.014, the task force required under paragraph (a) expires on December 31, 2015.

Sec. 64. Minnesota Statutes 2012, section 296A.01, is amended by adding a subdivision to read:

**Subd. 8b. Biobutanol.** "Biobutanol" means isobutyl alcohol produced by fermenting agriculturally generated organic material that is to be blended with gasoline and meets either:

(1) the initial ASTM Standard Specification for Butanol for Blending with Gasoline for Use as an Automotive Spark-Ignition Engine Fuel once it has been released by ASTM for general distribution; or

(2) in the absence of an ASTM standard specification, the following list of requirements:

(i) visually free of sediment and suspended matter;

(ii) clear and bright at the ambient temperature of 21 degrees Celsius or the ambient temperature, whichever is higher;

(iii) free of any adulterant or contaminant that can render it unacceptable for its commonly used applications;

(iv) contains not less than 96 volume percent isobutyl alcohol;

(v) contains not more than 0.4 volume percent methanol;

(vi) contains not more than 1.0 volume percent water as determined by ASTM standard test method E203 or E1064;

(vii) acidity (as acetic acid) of not more than 0.007 mass percent as determined by ASTM standard test method D1613;

(viii) solvent washed gum content of not more than 5.0 milligrams per 100 milliliters as determined by ASTM standard test method D381;

(ix) sulfur content of not more than 30 parts per million as determined by ASTM standard test method D2622 or D5453; and

(x) contains not more than four parts per million total inorganic sulfate.

Sec. 65. Minnesota Statutes 2012, section 583.215, is amended to read:

**583.215 EXPIRATION.**

Sections 336.9-601, subsections (h) and (i); 550.365; 559.209; 582.039; and 583.20 to 583.32, expire June 30, ~~2013~~ 2016.

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

Sec. 66. **WASTE PESTICIDE REPORTING; 2013, 2014, AND 2015.**

Notwithstanding the recording and reporting requirements of Minnesota Statutes, section 18B.065, subdivision 2a, paragraph (d), persons are not required to record or report agricultural or nonagricultural waste pesticide collected after the effective date of this section in 2013, 2014, and 2015. The commissioner of agriculture shall analyze existing collection data to identify trends that will inform future collection strategies to better meet the needs and nature of current waste pesticide streams. By January 15, 2015, the commissioner shall report analysis, recommendations, and proposed policy changes to this program to legislative committees and divisions with jurisdiction over agriculture finance and policy.

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

Sec. 67. **POLLINATOR REPORT REQUIRED.**

No later than January 15, 2014, the commissioner of agriculture must submit a pollinator report to the legislative committees and divisions with jurisdiction over agriculture and natural resources. The commissioner of agriculture must develop the report in consultation with the commissioners of natural resources and the Pollution Control

Agency, the Board of Water and Soil Resources, and representatives of the University of Minnesota. The report must include, but is not limited to, the following:

(1) a proposal to establish a pollinator bank to preserve pollinator species diversity;

(2) a proposal to efficiently and effectively create and enhance pollinator nesting and foraging habitat in this state including establishment of pollinator reserves or refuges; and

(3) the process and criteria the commissioner of agriculture would use to perform a special review of neonicotinoid pesticides registered by the commissioner for use in this state currently and in the future.

Sec. 68. **REVISOR'S INSTRUCTION.**

The revisor of statutes shall renumber Minnesota Statutes, section 18B.01, subdivision 4a, as subdivision 4b and correct any cross-references.

Sec. 69. **REPEALER.**

Minnesota Statutes 2012, sections 18.91, subdivisions 3 and 5; 18B.07, subdivision 6; and 239.791, subdivision 1a, are repealed.

ARTICLE 3  
ENVIRONMENT AND NATURAL RESOURCES APPROPRIATIONS

Section 1. **SUMMARY OF APPROPRIATIONS.**

The amounts shown in this section summarize direct appropriations, by fund, made in this article.

	<b><u>2014</u></b>	<b><u>2015</u></b>	<b><u>Total</u></b>
<u>General</u>	<u>\$87,641,000</u>	<u>\$92,690,000</u>	<u>\$180,331,000</u>
<u>State Government Special Revenue</u>	<u>75,000</u>	<u>75,000</u>	<u>150,000</u>
<u>Environmental</u>	<u>68,836,000</u>	<u>68,982,000</u>	<u>137,818,000</u>
<u>Natural Resources</u>	<u>89,906,000</u>	<u>89,606,000</u>	<u>179,512,000</u>
<u>Game and Fish</u>	<u>91,372,000</u>	<u>91,372,000</u>	<u>182,744,000</u>
<u>Remediation</u>	<u>10,596,000</u>	<u>10,596,000</u>	<u>21,192,000</u>
<u>Permanent School</u>	<u>200,000</u>	<u>200,000</u>	<u>400,000</u>
<b><u>Total</u></b>	<b><u>\$348,626,000</u></b>	<b><u>\$353,521,000</u></b>	<b><u>\$702,147,000</u></b>

Sec. 2. **ENVIRONMENT AND NATURAL RESOURCES APPROPRIATIONS.**

The sums shown in the columns marked "Appropriations" are appropriated to the agencies and for the purposes specified in this article. The appropriations are from the general fund, or another named fund, and are available for the fiscal years indicated for each purpose. The figures "2014" and "2015" used in this article mean that the appropriations listed under them are available for the fiscal year ending June 30, 2014, or June 30, 2015, respectively. "The first year" is fiscal year 2014. "The second year" is fiscal year 2015. "The biennium" is fiscal years 2014 and 2015. Appropriations for the fiscal year ending June 30, 2013, are effective the day following final enactment.





\$664,000 the first year and \$664,000 the second year are from the environmental fund for subsurface sewage treatment system (SSTS) program administration and community technical assistance and education, including grants and technical assistance to communities for water quality protection. Of this amount, \$129,000 each year is for assistance to counties through grants for SSTS program administration. A county receiving a grant from this appropriation shall submit the results achieved with the grant to the commissioner as part of its annual SSTS report. Any unexpended balance in the first year does not cancel but is available in the second year.

\$105,000 the first year and \$105,000 the second year are from the environmental fund for registration of wastewater laboratories.

\$913,000 the first year and \$913,000 the second year are from the environmental fund to continue perfluorochemical biomonitoring in eastern metropolitan communities, as recommended by the Environmental Health Tracking and Biomonitoring Advisory Panel, and address other environmental health risks, including air quality. Of this amount, \$812,000 the first year and \$812,000 the second year are for transfer to the Department of Health.

Notwithstanding Minnesota Statutes, section 16A.28, the appropriations encumbered on or before June 30, 2015, as grants or contracts for SSTS's, surface water and groundwater assessments, total maximum daily loads, storm water, and water quality protection in this subdivision are available until June 30, 2018.

Subd. 3. Air

15,031,000

15,201,000

Appropriations by Fund

<u>Environmental</u>	<u>15,031,000</u>	<u>15,201,000</u>
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\$200,000 the first year and \$200,000 the second year are from the environmental fund for a monitoring program under Minnesota Statutes, section 116.454.

Up to \$150,000 the first year and \$150,000 the second year may be transferred from the environmental fund to the small business environmental improvement loan account established in Minnesota Statutes, section 116.993.

\$125,000 the first year and \$125,000 the second year are from the environmental fund for monitoring ambient air for hazardous pollutants in the metropolitan area.

\$210,000 the first year and \$210,000 the second year are from the environmental fund for systematic, localized monitoring efforts in the state that:

(1) sample ambient air for a period of one to three months at various sites;

(2) analyze the samples and compare the data to the agency's fixed air monitoring sites; and

(3) determine whether significant localized differences exist.

The commissioner, when selecting areas to monitor, shall give priority to areas where low income, indigenous American Indians, and communities of color are disproportionately impacted by pollution from highway traffic, air traffic, and industrial sources to assist with efforts to ensure environmental justice for those areas. For the purposes of this paragraph, "environmental justice" means the fair treatment of people of all races, cultures, and income levels in the development, adoption, implementation, and enforcement of environmental laws and policies.

\$690,000 the first year and \$690,000 the second year are from the environmental fund for emission reduction activities and grants to small businesses and other nonpoint emission reduction efforts. Any unexpended balance in the first year does not cancel but is available in the second year.

Subd. 4. Land

17,412,000

17,412,000

Appropriations by Fund

<u>Environmental</u>	<u>6,916,000</u>	<u>6,916,000</u>
<u>Remediation</u>	<u>10,496,000</u>	<u>10,496,000</u>

All money for environmental response, compensation, and compliance in the remediation fund not otherwise appropriated is appropriated to the commissioners of the Pollution Control Agency and agriculture for purposes of Minnesota Statutes, section 115B.20, subdivision 2, clauses (1), (2), (3), (6), and (7). At the beginning of each fiscal year, the two commissioners shall jointly submit an annual spending plan to the commissioner of management and budget that maximizes the utilization of resources and appropriately allocates the money between the two departments. This appropriation is available until June 30, 2015.

\$3,616,000 the first year and \$3,616,000 the second year are from the remediation fund for purposes of the leaking underground storage tank program to protect the land. These same annual amounts are transferred from the petroleum tank fund to the remediation fund.

\$252,000 the first year and \$252,000 the second year are from the remediation fund for transfer to the commissioner of health for private water supply monitoring and health assessment costs in areas contaminated by unpermitted mixed municipal solid waste disposal facilities and drinking water advisories and public information activities for areas contaminated by hazardous releases.

**Subd. 5. Environmental Assistance and Cross-Media**26,275,00026,249,000Appropriations by Fund

<u>Environmental</u>	<u>25,248,000</u>	<u>25,223,000</u>
<u>General</u>	<u>1,027,000</u>	<u>1,026,000</u>

\$14,250,000 the first year and \$14,250,000 the second year are from the environmental fund for SCORE block grants to counties.

\$119,000 the first year and \$119,000 the second year are from the environmental fund for environmental assistance grants or loans under Minnesota Statutes, section 115A.0716. Any unencumbered grant and loan balances in the first year do not cancel but are available for grants and loans in the second year.

\$89,000 the first year and \$89,000 the second year are from the environmental fund for duties related to harmful chemicals in products under Minnesota Statutes, sections 116.9401 to 116.9407. Of this amount, \$57,000 each year is transferred to the commissioner of health.

\$200,000 the first year and \$200,000 the second year are from the environmental fund for the costs of implementing general operating permits for feedlots over 1,000 animal units.

\$312,000 the first year and \$312,000 the second year are from the general fund and \$188,000 the first year and \$188,000 the second year are from the environmental fund for Environmental Quality Board operations and support.

\$75,000 the first year and \$50,000 the second year are from the environmental fund for transfer to the Office of Administrative Hearings to establish sanitary districts.

\$500,000 the first year and \$500,000 the second year are from the general fund for the Environmental Quality Board to lead an interagency team to provide technical assistance regarding the mining, processing, and transporting of silica sand and develop the model standards and criteria required under Minnesota Statutes, section 116C.99. The agency may transfer a portion of this appropriation to the commissioners of natural resources, health, and transportation and to the Board of Water and Soil Resources for additional costs of duties related to silica sand mining in this act.

The commissioner shall prepare and submit a report to the chairs and ranking minority members of the senate and house of representatives committees and divisions with jurisdiction over the environment and natural resources by January 15, 2014, with recommendations for a statewide recycling refund program for beverage containers that achieves an 80 percent recycling rate. In preparing the report, the commissioner shall consult with stakeholders, including retailers, collectors, recyclers, local governments, and consumers on options to

increase the current recycling rate. An assessment of the financial impact of any recommended program shall be included in the report.

All money deposited in the environmental fund for the metropolitan solid waste landfill fee in accordance with Minnesota Statutes, section 473.843, and not otherwise appropriated, is appropriated for the purposes of Minnesota Statutes, section 473.844.

\$315,000 the first year and \$315,000 the second year are from the environmental fund for the electronic waste program under Minnesota Statutes, sections 115A.1310 to 115A.1330.

Notwithstanding Minnesota Statutes, section 16A.28, the appropriations encumbered on or before June 30, 2015, as contracts or grants for surface water and groundwater assessments; environmental assistance awarded under Minnesota Statutes, section 115A.0716; technical and research assistance under Minnesota Statutes, section 115A.152; technical assistance under Minnesota Statutes, section 115A.52; and pollution prevention assistance under Minnesota Statutes, section 115D.04, are available until June 30, 2017.

**Subd. 6. Remediation Fund**

The commissioner shall transfer up to \$46,000,000 from the environmental fund to the remediation fund for the purposes of the remediation fund under Minnesota Statutes, section 116.155, subdivision 2.

**Sec. 4. NATURAL RESOURCES**

**Subdivision 1. Total Appropriation**

**\$236,744,000**

**\$241,494,000**

Appropriations by Fund

	<u>2014</u>	<u>2015</u>
<u>General</u>	<u>61,486,000</u>	<u>66,536,000</u>
<u>Natural Resources</u>	<u>83,586,000</u>	<u>83,286,000</u>
<u>Game and Fish</u>	<u>91,372,000</u>	<u>91,372,000</u>
<u>Remediation</u>	<u>100,000</u>	<u>100,000</u>
<u>Permanent School</u>	<u>200,000</u>	<u>200,000</u>

The amounts that may be spent for each purpose are specified in the following subdivisions.

**Subd. 2. Land and Mineral Resources Management**

**6,287,000**

**6,687,000**

Appropriations by Fund

<u>General</u>	<u>1,164,000</u>	<u>1,564,000</u>
<u>Natural Resources</u>	<u>3,472,000</u>	<u>3,472,000</u>
<u>Game and Fish</u>	<u>1,451,000</u>	<u>1,451,000</u>
<u>Permanent School</u>	<u>200,000</u>	<u>200,000</u>

\$68,000 the first year and \$68,000 the second year are for minerals cooperative environmental research, of which \$34,000 the first year and \$34,000 the second year are available only as matched by \$1 of nonstate money for each \$1 of state money. The match may be cash or in-kind.

\$251,000 the first year and \$251,000 the second year are for iron ore cooperative research. Of this amount, \$200,000 each year is from the minerals management account in the natural resources fund. \$175,000 the first year and \$175,000 the second year are available only as matched by \$1 of nonstate money for each \$1 of state money. The match may be cash or in-kind. Any unencumbered balance from the first year does not cancel and is available in the second year.

\$2,696,000 the first year and \$2,696,000 the second year are from the minerals management account in the natural resources fund for use as provided in Minnesota Statutes, section 93.2236, paragraph (c), for mineral resource management, projects to enhance future mineral income, and projects to promote new mineral resource opportunities.

\$200,000 the first year and \$200,000 the second year are from the state forest suspense account in the permanent school fund to accelerate land exchanges, land sales, and commercial leasing of school trust lands and to identify, evaluate, and lease construction aggregate located on school trust lands. This appropriation is to be used for securing long-term economic return from the school trust lands consistent with fiduciary responsibilities and sound natural resources conservation and management principles.

The appropriations in Laws 2007, chapter 57, article 1, section 4, subdivision 2, as amended by Laws 2009, chapter 37, article 1, section 60, and as extended by Laws 2011, First Special Session chapter 2, article 1, section 4, subdivision 2, for support of the land records management system are available until spent.

**Subd. 3. Ecological and Water Resources**

27,182,000

31,582,000

Appropriations by Fund

<u>General</u>	<u>12,117,000</u>	<u>16,817,000</u>
<u>Natural Resources</u>	<u>11,002,000</u>	<u>10,702,000</u>
<u>Game and Fish</u>	<u>4,063,000</u>	<u>4,063,000</u>

\$3,542,000 the first year and \$3,242,000 the second year are from the invasive species account in the natural resources fund and \$2,906,000 the first year and \$3,206,000 the second year are from the general fund for management, public awareness, assessment and monitoring research, and water access inspection to prevent the spread of invasive species; management of invasive plants in public waters; and management of terrestrial invasive species on state-administered lands.

\$5,000,000 the first year and \$5,000,000 the second year are from the water management account in the natural resources fund for only the purposes specified in Minnesota Statutes, section 103G.27, subdivision 2.

\$103,000 the first year and \$103,000 the second year are for a grant to the Mississippi Headwaters Board for up to 50 percent of the cost of implementing the comprehensive plan for the upper Mississippi within areas under the board's jurisdiction.

\$10,000 the first year and \$10,000 the second year are for payment to the Leech Lake Band of Chippewa Indians to implement the band's portion of the comprehensive plan for the upper Mississippi.

\$264,000 the first year and \$264,000 the second year are for grants for up to 50 percent of the cost of implementation of the Red River mediation agreement. The commissioner shall submit a report to the chairs of the legislative committees having primary jurisdiction over environment and natural resources policy and finance on the accomplishments achieved with the grants by January 15, 2015.

\$1,643,000 the first year and \$1,643,000 the second year are from the heritage enhancement account in the game and fish fund for only the purposes specified in Minnesota Statutes, section 297A.94, paragraph (e), clause (1).

\$1,223,000 the first year and \$1,223,000 the second year are from the nongame wildlife management account in the natural resources fund for the purpose of nongame wildlife management. Notwithstanding Minnesota Statutes, section 290.431, \$100,000 the first year and \$100,000 the second year may be used for nongame wildlife information, education, and promotion.

\$1,600,000 the first year and \$6,000,000 the second year are from the general fund for the following activities:

(1) increased financial reimbursement and technical support to soil and water conservation districts or other local units of government for groundwater level monitoring;

(2) additional surface water monitoring and analysis, including installation of monitoring gauges;

(3) additional groundwater analysis to assist with water appropriation permitting decisions;

(4) additional permit application review incorporating surface water and groundwater technical analysis;

(5) enhancement of precipitation data and analysis to improve the use of irrigation;

(6) enhanced information technology, including electronic permitting and integrated data systems; and

(7) increased compliance and monitoring.

Of this amount, \$600,000 the first year is for silica sand rulemaking and is available until spent.

The commissioner, in cooperation with the commissioner of agriculture, shall enforce compliance with aquatic plant management requirements regulating the control of aquatic plants with pesticides and removal of aquatic plants by mechanical means under Minnesota Statutes, section 103G.615.

**Subd. 4. Forest Management**

36,860,000

36,810,000

Appropriations by Fund

<u>General</u>	<u>24,450,000</u>	<u>24,400,000</u>
<u>Natural Resources</u>	<u>11,123,000</u>	<u>11,123,000</u>
<u>Game and Fish</u>	<u>1,287,000</u>	<u>1,287,000</u>

\$7,145,000 the first year and \$7,145,000 the second year are for prevention, presuppression, and suppression costs of emergency firefighting and other costs incurred under Minnesota Statutes, section 88.12. The amount necessary to pay for presuppression and suppression costs during the biennium is appropriated from the general fund.

By January 15 of each year, the commissioner of natural resources shall submit a report to the chairs and ranking minority members of the house and senate committees and divisions having jurisdiction over environment and natural resources finance, identifying all firefighting costs incurred and reimbursements received in the prior fiscal year. These appropriations may not be transferred. Any reimbursement of firefighting expenditures made to the commissioner from any source other than federal mobilizations shall be deposited into the general fund.

\$11,123,000 the first year and \$11,123,000 the second year are from the forest management investment account in the natural resources fund for only the purposes specified in Minnesota Statutes, section 89.039, subdivision 2.

\$1,287,000 the first year and \$1,287,000 the second year are from the heritage enhancement account in the game and fish fund to advance ecological classification systems (ECS) scientific management tools for forest and invasive species management.

\$580,000 the first year and \$580,000 the second year are for the Forest Resources Council for implementation of the Sustainable Forest Resources Act.

\$250,000 the first year and \$250,000 the second year are for the FORIST system.

\$50,000 the first year is for development of a plan and recommendations, in consultation with the University of Minnesota, Department of Forest Resources, on utilizing the state forest nurseries to: ensure the long-term availability of ecologically appropriate and genetically diverse native forest seed and seedlings to support state conservation projects and initiatives; protect the genetic fitness and resilience of native forest ecosystems; and support tree improvement research to address evolving pressures such as invasive species and climate change. By December 31, 2013, the commissioner shall submit a report with the plan and recommendations to the chairs and ranking minority members of the senate and house of representatives committees and divisions with jurisdiction over natural resources. The report shall address funding to improve state forest nursery and tree improvement capabilities. The report shall also provide updated recommendations from those contained in the budget and financial plan required under Laws 2011, First Special Session chapter 2, article 4, section 30.

The general fund base budget for forest management in fiscal year 2016 and thereafter is \$23,850,000.

**Subd. 5. Parks and Trails Management**

67,802,000

67,802,000

Appropriations by Fund

	<u>2014</u>	<u>2015</u>
<u>General</u>	<u>19,780,000</u>	<u>19,780,000</u>
<u>Natural Resources</u>	<u>45,763,000</u>	<u>45,763,000</u>
<u>Game and Fish</u>	<u>2,259,000</u>	<u>2,259,000</u>

\$1,075,000 the first year and \$1,075,000 the second year are from the water recreation account in the natural resources fund for enhancing public water access facilities and to prevent the spread of aquatic invasive species, including inspection and decontamination programs. Of the amount in the first year, \$300,000 is for construction of restroom facilities at the public water access for Crane Lake on Handberg Road and is available until spent. This appropriation is not available until the commissioner develops and implements design standards and best management practices for public water access sites that maintain and improve water quality by avoiding shoreline erosion and runoff.

\$5,740,000 the first year and \$5,740,000 the second year are from the natural resources fund for state trail, park, and recreation area operations. This appropriation is from the revenue deposited in the natural resources fund under Minnesota Statutes, section 297A.94, paragraph (e), clause (2).



\$1,005,000 the first year and \$1,005,000 the second year are from the natural resources fund for trail grants to local units of government on land to be maintained for at least 20 years for the purposes of the grants. This appropriation is from the revenue deposited in the natural resources fund under Minnesota Statutes, section 297A.94, paragraph (e), clause (4). Any unencumbered balance does not cancel at the end of the first year and is available for the second year.

\$8,424,000 the first year and \$8,424,000 the second year are from the snowmobile trails and enforcement account in the natural resources fund for the snowmobile grants-in-aid program. Any unencumbered balance does not cancel at the end of the first year and is available for the second year.

\$1,460,000 the first year and \$1,460,000 the second year are from the natural resources fund for the off-highway vehicle grants-in-aid program. Of this amount, \$1,210,000 each year is from the all-terrain vehicle account; \$150,000 each year is from the off-highway motorcycle account; and \$100,000 each year is from the off-road vehicle account. Any unencumbered balance does not cancel at the end of the first year and is available for the second year.

\$75,000 the first year and \$75,000 the second year are from the cross-country ski account in the natural resources fund for grooming and maintaining cross-country ski trails in state parks, trails, and recreation areas.

\$250,000 the first year and \$250,000 the second year are from the state land and water conservation account (LAWCON) in the natural resources fund for priorities established by the commissioner for eligible state projects and administrative and planning activities consistent with Minnesota Statutes, section 84.0264, and the federal Land and Water Conservation Fund Act. Any unencumbered balance does not cancel at the end of the first year and is available for the second year.

The appropriation in Laws 2009, chapter 37, article 1, section 4, subdivision 5, from the natural resources fund from the revenue deposited under Minnesota Statutes, section 297A.94, paragraph (e), clause (4), for local grants is available until spent.

**Subd. 6. Fish and Wildlife Management**

62,775,000

62,775,000

Appropriations by Fund

	<u>2014</u>	<u>2015</u>
<u>Natural Resources</u>	<u>1,906,000</u>	<u>1,906,000</u>
<u>Game and Fish</u>	<u>60,869,000</u>	<u>60,869,000</u>

\$8,167,000 the first year and \$8,167,000 the second year are from the heritage enhancement account in the game and fish fund only for activities specified in Minnesota Statutes, section 297A.94, paragraph (e), clause (1). Notwithstanding Minnesota Statutes, section 297A.94, five percent of this appropriation may be used for expanding hunter and angler recruitment and retention activities that emphasize the recruitment and retention of underrepresented groups.

Notwithstanding Minnesota Statutes, section 84.943, \$13,000 the first year and \$13,000 the second year from the critical habitat private sector matching account may be used to publicize the critical habitat license plate match program.

**Subd. 7. Enforcement**

35,518,000

35,518,000

Appropriations by Fund

<u>General</u>	<u>3,975,000</u>	<u>3,975,000</u>
<u>Natural Resources</u>	<u>10,000,000</u>	<u>10,000,000</u>
<u>Game and Fish</u>	<u>21,443,000</u>	<u>21,443,000</u>
<u>Remediation</u>	<u>100,000</u>	<u>100,000</u>

\$1,718,000 the first year and \$1,718,000 the second year are from the general fund for enforcement efforts to prevent the spread of aquatic invasive species.

\$1,450,000 the first year and \$1,450,000 the second year are from the heritage enhancement account in the game and fish fund for only the purposes specified in Minnesota Statutes, section 297A.94, paragraph (e), clause (1).

\$250,000 the first year and \$250,000 the second year are for the conservation officer pre-employment education program. Of this amount, \$30,000 each year is from the water recreation account, \$13,000 each year is from the snowmobile account, and \$20,000 each year is from the all-terrain vehicle account in the natural resources fund; and \$187,000 each year is from the game and fish fund, of which \$17,000 each year is from the heritage enhancement account.

\$1,082,000 the first year and \$1,082,000 the second year are from the water recreation account in the natural resources fund for grants to counties for boat and water safety and to prevent the spread of aquatic invasive species, including inspection and decontamination programs. Any unencumbered balance does not cancel at the end of the first year and is available for the second year.

\$315,000 the first year and \$315,000 the second year are from the snowmobile trails and enforcement account in the natural resources fund for grants to local law enforcement agencies for snowmobile enforcement activities. Any unencumbered balance does not cancel at the end of the first year and is available for the second year.

\$250,000 the first year and \$250,000 the second year are from the all-terrain vehicle account for grants to qualifying organizations to assist in safety and environmental education and monitoring trails on public lands under Minnesota Statutes, section 84.9011. Grants issued under this paragraph: (1) must be issued through a formal agreement with the organization; and (2) must not be used as a substitute for traditional spending by the organization. By December 15 each year, an organization receiving a grant under this paragraph shall report to the commissioner with details on expenditures and outcomes from the grant. Of this appropriation, \$25,000 each year is for administration of these grants. Any unencumbered balance does not cancel at the end of the first year and is available for the second year.

\$510,000 the first year and \$510,000 the second year are from the natural resources fund for grants to county law enforcement agencies for off-highway vehicle enforcement and public education activities based on off-highway vehicle use in the county. Of this amount, \$498,000 each year is from the all-terrain vehicle account; \$11,000 each year is from the off-highway motorcycle account; and \$1,000 each year is from the off-road vehicle account. The county enforcement agencies may use money received under this appropriation to make grants to other local enforcement agencies within the county that have a high concentration of off-highway vehicle use. Of this appropriation, \$25,000 each year is for administration of these grants. Any unencumbered balance does not cancel at the end of the first year and is available for the second year.

\$720,000 the first year and \$720,000 the second year are for development and maintenance of a records management system capable of providing real time data with global positioning system information. Of this amount, \$360,000 each year is from the game and fish fund, and \$360,000 each year is from the invasive species account in the natural resources fund.

Up to \$300,000 each year from the invasive species account is for grants to local units of government and tribes to prevent the spread of aquatic invasive species, including inspection and decontamination programs.

**Subd. 8. Operations Support**

320,000

320,000

Appropriations by Fund

Natural Resources

320,000

320,000

\$320,000 the first year and \$320,000 the second year are from the natural resources fund for grants to be divided equally between the city of St. Paul for the Como Park Zoo and Conservatory and the city of Duluth for the Duluth Zoo. This appropriation is from the

revenue deposited to the fund under Minnesota Statutes, section 297A.94, paragraph (e), clause (5).

The commissioner may spend up to \$300,000 per year from the special revenue fund to improve data analytics. The commissioner may bill the divisions of the agency an appropriate share of costs associated with this project. Any information technology development, support, or costs necessary for this project shall be incorporated into the agency's service level agreement with and paid to the Office of Enterprise Technology.

Sec. 5. **BOARD OF WATER AND SOIL RESOURCES**

**\$12,641,000**

**\$12,641,000**

\$3,423,000 the first year and \$3,423,000 the second year are for natural resources block grants to local governments. Grants must be matched with a combination of local cash or in-kind contributions. The base grant portion related to water planning must be matched by an amount as specified by Minnesota Statutes, section 103B.3369. The board may reduce the amount of the natural resources block grant to a county by an amount equal to any reduction in the county's general services allocation to a soil and water conservation district from the county's previous year allocation when the board determines that the reduction was disproportionate.

\$3,116,000 the first year and \$3,116,000 the second year are for grants requested by soil and water conservation districts for general purposes, nonpoint engineering, and implementation of the reinvest in Minnesota reserve program. Upon approval of the board, expenditures may be made from these appropriations for supplies and services benefiting soil and water conservation districts. Any district requesting a grant under this paragraph shall maintain a Web page that publishes, at a minimum, its annual report, annual audit, annual budget, and meeting notices and minutes.

\$1,560,000 the first year and \$1,560,000 the second year are for the following cost-share programs:

(1) \$260,000 each year is for feedlot water quality grants for feedlots under 300 animal units in areas where there are impaired waters;

(2) \$1,200,000 each year is for soil and water conservation district cost-sharing contracts for erosion control, nutrient and manure management, vegetative buffers, and water quality management; and

(3) \$100,000 each year is for county cooperative weed management programs and to restore native plants in selected invasive species management sites by providing local native seeds and plants to landowners for implementation.

The board shall submit a report to the commissioner of the Pollution Control Agency on the status of subsurface sewage treatment systems in order to ensure a single, comprehensive inventory of the systems for planning purposes.

\$386,000 the first year and \$386,000 the second year are for implementation, enforcement, and oversight of the Wetland Conservation Act.

\$166,000 the first year and \$166,000 the second year are to provide technical assistance to local drainage management officials and for the costs of the Drainage Work Group.

\$100,000 the first year and \$100,000 the second year are for a grant to the Red River Basin Commission for water quality and floodplain management, including administration of programs. This appropriation must be matched by nonstate funds. If the appropriation in either year is insufficient, the appropriation in the other year is available for it.

\$120,000 the first year and \$120,000 the second year are for grants to Area II Minnesota River Basin Projects for floodplain management.

Notwithstanding Minnesota Statutes, section 103C.501, the board may shift cost-share funds in this section and may adjust the technical and administrative assistance portion of the grant funds to leverage federal or other nonstate funds or to address high-priority needs identified in local water management plans or comprehensive water management plans.

\$125,000 the first year and \$125,000 the second year are to implement internal control policies and provide related oversight and accountability for agency programs.

The appropriations for grants in this section are available until expended. If an appropriation for grants in either year is insufficient, the appropriation in the other year is available for it.

Sec. 6. **METROPOLITAN COUNCIL**

**\$8,540,000**

**\$8,540,000**

Appropriations by Fund

	<u>2014</u>	<u>2015</u>
General	<u>2,870,000</u>	<u>2,870,000</u>
Natural Resources	<u>5,670,000</u>	<u>5,670,000</u>

\$2,870,000 the first year and \$2,870,000 the second year are for metropolitan area regional parks operation and maintenance according to Minnesota Statutes, section 473.351.

\$5,670,000 the first year and \$5,670,000 the second year are from the natural resources fund for metropolitan area regional parks and trails maintenance and operations. This appropriation is from the revenue deposited in the natural resources fund under Minnesota Statutes, section 297A.94, paragraph (e), clause (3).

Sec. 7. **CONSERVATION CORPS MINNESOTA** **\$945,000** **\$945,000**

Appropriations by Fund

	<u>2014</u>	<u>2015</u>
<u>General</u>	<u>455,000</u>	<u>455,000</u>
<u>Natural Resources</u>	<u>490,000</u>	<u>490,000</u>

Conservation Corps Minnesota may receive money appropriated from the natural resources fund under this section only as provided in an agreement with the commissioner of natural resources.

Sec. 8. **ZOOLOGICAL BOARD** **\$5,585,000** **\$5,585,000**

Appropriations by Fund

	<u>2014</u>	<u>2015</u>
<u>General</u>	<u>5,425,000</u>	<u>5,425,000</u>
<u>Natural Resources</u>	<u>160,000</u>	<u>160,000</u>

\$160,000 the first year and \$160,000 the second year are from the natural resources fund from the revenue deposited under Minnesota Statutes, section 297A.94, paragraph (e), clause (5).

Sec. 9. Laws 2010, chapter 215, article 3, section 3, subdivision 6, as amended by Laws 2010, First Special Session chapter 1, article 6, section 6, is amended to read:

Subd. 6. **Transfers In**

(a) The amounts appropriated from the agency indirect costs account in the special revenue fund are reduced by \$328,000 in fiscal year 2010 and \$462,000 in fiscal year 2011, and those amounts must be transferred to the general fund by June 30, 2011. The appropriation reductions are onetime.

(b) The commissioner of management and budget shall transfer \$48,000,000 in fiscal year 2011 from the closed landfill investment fund in Minnesota Statutes, section 115B.421, to the general fund. The commissioner shall transfer ~~\$12,000,000~~ \$9,900,000 on July 1 ~~in each of the years 2014, 2015, 2016, and 2017~~ \$12,550,000 in each of the years 2015 and 2016, and \$13,000,000 in 2017 from the general fund to the closed landfill investment fund. For each transfer to the closed landfill investment fund, the commissioner shall determine the total amount of interest and other earnings that

would have accrued to the fund if the transfers to the general fund under this paragraph had not been made and add this amount to the transfer. The amounts necessary for these transfers are appropriated from the general fund in the fiscal years specified for the transfers.

ARTICLE 4  
ENVIRONMENT AND NATURAL RESOURCES STATUTORY CHANGES

Section 1. Minnesota Statutes 2012, section 13.7411, subdivision 4, is amended to read:

Subd. 4. **Waste management.** (a) **Product stewardship program.** Trade secret and sales data information submitted to the Pollution Control Agency under the product stewardship program is classified under section 115A.1415.

(b) **Transfer station data.** Data received by a county or district from a transfer station under section 115A.84, subdivision 5, are classified under that section.

~~(b)~~ (c) **Solid waste records.** Records of solid waste facilities received, inspected, or copied by a county pursuant to section 115A.882 are classified pursuant to section 115A.882, subdivision 3.

~~(c)~~ (d) **Customer lists.** Customer lists provided to counties or cities by solid waste collectors are classified under section 115A.93, subdivision 5.

Sec. 2. Minnesota Statutes 2012, section 84.027, is amended by adding a subdivision to read:

Subd. 19. **Federal law compliance.** Notwithstanding any law to the contrary, the commissioner may establish, by written order, policies for the use and operation of other power-driven mobility devices, as defined under Code of Federal Regulations, title 28, section 35.104, on lands and in facilities administered by the commissioner for the purposes of implementing the Americans with Disabilities Act, United States Code, title 42, section 12101 et seq. These policies are exempt from the rulemaking provisions of chapter 14 and section 14.386 does not apply.

Sec. 3. Minnesota Statutes 2012, section 84.415, is amended by adding a subdivision to read:

Subd. 7. **Existing road right-of-way; fee exemption.** A utility license for crossing public lands or public waters is exempt from all fees specified in this section and in rules adopted under this section when the utility crossing is on an existing right-of-way of a public road.

**EFFECTIVE DATE.** This section is effective July 1, 2014.

Sec. 4. Minnesota Statutes 2012, section 84.63, is amended to read:

**84.63 CONVEYANCE OF INTERESTS IN LANDS TO STATE AND FEDERAL GOVERNMENTS.**

(a) Notwithstanding any existing law to the contrary, the commissioner of natural resources is hereby authorized on behalf of the state to convey to the United States or to the state of Minnesota or any of its subdivisions, upon state-owned lands under the administration of the commissioner of natural resources, permanent or temporary easements for specified periods or otherwise for trails, highways, roads including limitation of right of access from the lands to adjacent highways and roads, flowage for development of fish and game resources, stream protection,

flood control, and necessary appurtenances thereto, such conveyances to be made upon such terms and conditions including provision for reversion in the event of non-user as the commissioner of natural resources may determine.

(b) In addition to the fee for the market value of the easement, the commissioner of natural resources shall assess the applicant the following fees:

(1) an application fee of \$2,000 to cover reasonable costs for reviewing the application and preparing the easement; and

(2) a monitoring fee to cover the projected reasonable costs for monitoring the construction of the improvement for which the easement was conveyed and preparing special terms and conditions for the easement. The commissioner must give the applicant an estimate of the monitoring fee before the applicant submits the fee.

(c) The applicant shall pay these fees to the commissioner of natural resources. The commissioner shall not issue the easement until the applicant has paid in full the application fee, the monitoring fee, and the market value payment for the easement.

(d) Upon completion of construction of the improvement for which the easement was conveyed, the commissioner shall refund the unobligated balance from the monitoring fee revenue. The commissioner shall not return the application fee, even if the application is withdrawn or denied.

(e) Money received under paragraph (b) must be deposited in the land management account in the natural resources fund and is appropriated to the commissioner of natural resources to cover the reasonable costs incurred for issuing and monitoring easements.

(f) A county or joint county regional railroad authority is exempt from all fees specified under this section for trail easements on state-owned land.

**EFFECTIVE DATE.** This section is effective July 1, 2014.

Sec. 5. **[84.633] EXCHANGE OF ROAD EASEMENTS.**

Subdivision 1. **Authority.** The commissioner of natural resources, on behalf of the state, may convey a road easement according to this section for access across state land under the commissioner's jurisdiction in exchange for a road easement for access to property owned by the United States, the state of Minnesota or any of its subdivisions, or a private party. The exercise of the easement across state land must not cause significant adverse environmental or natural resources management impacts. Exchanges under this section are limited to existing access corridors.

Subd. 2. **Substantially equal acres.** The acres covered by the state easement conveyed by the commissioner must be substantially equal to the acres covered by the easement being received by the commissioner. For purposes of this section, "substantially equal" means that the acres do not differ by more than 20 percent. The commissioner's finding of substantially equal acres is in lieu of an appraisal or other determination of value of the lands.

Subd. 3. **School trust lands.** If the commissioner conveys a road easement over school trust land to a nongovernmental entity, the term of the road easement is limited to 50 years. The easement exchanged with the state may be limited to 50 years or may be perpetual.



Subd. 4. **Terms and conditions.** The commissioner may impose terms and conditions of use as necessary and appropriate under the circumstances. The state may accept an easement with similar terms and conditions as the state easement.

Subd. 5. **Survey.** If the commissioner determines that a survey is required, the governmental unit or private landowner shall pay to the commissioner a survey fee of not less than one half of the cost of the survey as determined by the commissioner.

Subd. 6. **Application fee.** When a private landowner or governmental unit, except the state, presents to the commissioner an offer to exchange road easements, the private landowner or governmental unit shall pay an application fee as provided under section 84.63 to cover reasonable costs for reviewing the application and preparing the easements.

Subd. 7. **Title.** If the commissioner determines it is necessary to obtain an opinion as to the title of the land being encumbered by the easement that will be received by the commissioner, the governmental unit or private landowner shall submit an abstract of title or other title information sufficient to determine possession of the land, improvements, liens, encumbrances, and other matters affecting title.

Subd. 8. **Disposition of fees.** (a) Any fee paid under subdivision 5 must be credited to the account from which expenses are or will be paid and the fee is appropriated for the expenditures in the same manner as other money in the account.

(b) Any fee paid under subdivision 6 must be deposited in the land management account in the natural resources fund and is appropriated to the commissioner to cover the reasonable costs incurred for preparing and issuing the state road easement and accepting the road easement from the private landowner or governmental entity.

Sec. 6. Minnesota Statutes 2012, section 84.82, is amended by adding a subdivision to read:

Subd. 2a. **Nontrail use registration.** A snowmobile may be registered for nontrail use. A snowmobile registered under this subdivision may not be operated on a state or grant-in-aid snowmobile trail. The fee for a nontrail use registration is \$45 for three years. A nontrail use registration is not transferable. In addition to other penalties prescribed by law, the penalty for violation of this subdivision is immediate revocation of the nontrail use registration. The commissioner shall ensure that the registration sticker provided for limited nontrail use is of a different color and is distinguishable from other snowmobile registration and state trail stickers provided.

Sec. 7. Minnesota Statutes 2012, section 84.82, subdivision 3, is amended to read:

Subd. 3. **Fees for registration.** (a) The fee for registration of each snowmobile, other than those used for an agricultural purpose, as defined in section 84.92, subdivision 1c, ~~or~~ those registered by a dealer or manufacturer pursuant to paragraph (b) or (c), or those registered under subdivision 2a shall be as follows: \$75 for three years and \$10 for a duplicate or transfer.

(b) The total registration fee for all snowmobiles owned by a dealer and operated for demonstration or testing purposes shall be \$50 per year.

(c) The total registration fee for all snowmobiles owned by a manufacturer and operated for research, testing, experimentation, or demonstration purposes shall be \$150 per year. Dealer and manufacturer registrations are not transferable.

(d) The onetime fee for registration of an exempt snowmobile under subdivision 6a is \$6.

Sec. 8. Minnesota Statutes 2012, section 84.8205, subdivision 1, is amended to read:

Subdivision 1. **Sticker required; fee.** (a) A snowmobile that is not registered in the state under section 84.82, subdivision 3, paragraph (a), or that is registered by a manufacturer or dealer under section 84.82, subdivision 3, paragraph (b) or (c), may not be operated on a state or grant-in-aid snowmobile trail unless a snowmobile state trail sticker is affixed to the snowmobile.

(b) The commissioner of natural resources shall issue a sticker upon application and payment of a fee. The fee is:

(1) \$35 for a one-year snowmobile state trail sticker purchased by an individual; and

(2) \$15 for a one-year snowmobile state trail sticker purchased by a dealer or manufacturer.

(c) In addition to other penalties prescribed by law, an individual in violation of this subdivision must purchase an annual state trail sticker for a fee of \$70. The sticker is valid from November 1 through June 30. Fees collected under this section, except for the issuing fee for licensing agents, shall be deposited in the state treasury and credited to the snowmobile trails and enforcement account in the natural resources fund and, except for the electronic licensing system commission established by the commissioner under section 84.027, subdivision 15, must be used for grants-in-aid, trail maintenance, grooming, and easement acquisition.

(d) A state trail sticker is not required under this section for:

(1) a snowmobile that is owned and used by the United States, an Indian tribal government, another state, or a political subdivision thereof that is exempt from registration under section 84.82, subdivision 6;

(2) a collector snowmobile that is operated as provided in a special permit issued for the collector snowmobile under section 84.82, subdivision 7a;

(3) a person operating a snowmobile only on the portion of a trail that is owned by the person or the person's spouse, child, or parent; or

(4) a snowmobile while being used to groom a state or grant-in-aid trail.

Sec. 9. Minnesota Statutes 2012, section 84.922, is amended by adding a subdivision to read:

**Subd. 14. No registration weekend.** The commissioner shall designate, by written order published in the State Register, one weekend each year when, notwithstanding subdivision 1, an all-terrain vehicle may be operated on state and grant-in-aid all-terrain vehicle trails without a registration issued under this section. Nonresidents may participate during the designated weekend without a state trail pass required under section 84.9275.

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

Sec. 10. Minnesota Statutes 2012, section 84.9256, subdivision 1, is amended to read:

Subdivision 1. **Prohibitions on youthful operators.** (a) Except for operation on public road rights-of-way that is permitted under section 84.928 and as provided under paragraph (j), a driver's license issued by the state or another state is required to operate an all-terrain vehicle along or on a public road right-of-way.

(b) A person under 12 years of age shall not:

(1) make a direct crossing of a public road right-of-way;

(2) operate an all-terrain vehicle on a public road right-of-way in the state; or

(3) operate an all-terrain vehicle on public lands or waters, except as provided in paragraph (f).

(c) Except for public road rights-of-way of interstate highways, a person 12 years of age but less than 16 years may make a direct crossing of a public road right-of-way of a trunk, county state-aid, or county highway or operate on public lands and waters or state or grant-in-aid trails, only if that person possesses a valid all-terrain vehicle safety certificate issued by the commissioner and is accompanied by a person 18 years of age or older who holds a valid driver's license.

(d) To be issued an all-terrain vehicle safety certificate, a person at least 12 years old, but less than ~~16~~ 18 years old, must:

(1) successfully complete the safety education and training program under section 84.925, subdivision 1, including a riding component; and

(2) be able to properly reach and control the handle bars and reach the foot pegs while sitting upright on the seat of the all-terrain vehicle.

(e) A person at least 11 years of age may take the safety education and training program and may receive an all-terrain vehicle safety certificate under paragraph (d), but the certificate is not valid until the person reaches age 12.

(f) A person at least ten years of age but under 12 years of age may operate an all-terrain vehicle with an engine capacity up to 90cc on public lands or waters if accompanied by a parent or legal guardian.

(g) A person under 15 years of age shall not operate a class 2 all-terrain vehicle.

(h) A person under the age of 16 may not operate an all-terrain vehicle on public lands or waters or on state or grant-in-aid trails if the person cannot properly reach and control the handle bars and reach the foot pegs while sitting upright on the seat of the all-terrain vehicle.

(i) Notwithstanding paragraph (c), a nonresident at least 12 years old, but less than 16 years old, may make a direct crossing of a public road right-of-way of a trunk, county state-aid, or county highway or operate an all-terrain vehicle on public lands and waters or state or grant-in-aid trails if:

(1) the nonresident youth has in possession evidence of completing an all-terrain safety course offered by the ATV Safety Institute or another state as provided in section 84.925, subdivision 3; and

(2) the nonresident youth is accompanied by a person 18 years of age or older who holds a valid driver's license.

(j) A person 12 years of age but less than 16 years of age may operate an all-terrain vehicle on the bank, slope, or ditch of a public road right-of-way as permitted under section 84.928 if the person:

(1) possesses a valid all-terrain vehicle safety certificate issued by the commissioner; and

(2) is accompanied by a parent or legal guardian on a separate all-terrain vehicle.

Sec. 11. Minnesota Statutes 2012, section 84.928, subdivision 1, is amended to read:

Subdivision 1. **Operation on roads and rights-of-way.** (a) Unless otherwise allowed in sections 84.92 to 84.928, a person shall not operate an all-terrain vehicle in this state along or on the roadway, shoulder, or inside bank or slope of a public road right-of-way of a trunk, county state-aid, or county highway.

(b) A person may operate a class 1 all-terrain vehicle in the ditch or the outside bank or slope of a trunk, county state-aid, or county highway unless prohibited under paragraph (d) or (f).

(c) A person may operate a class 2 all-terrain vehicle:

(1) within the public road right-of-way of a county state-aid or county highway on the extreme right-hand side of the road and left turns may be made from any part of the road if it is safe to do so under the prevailing conditions, unless prohibited under paragraph (d) or (f). ~~A person may operate a class 2 all-terrain vehicle;~~

(2) on the bank, slope, or ditch of a public road right-of-way of a trunk, county state-aid, or county highway but only to access businesses or make trail connections, and left turns may be made from any part of the road if it is safe to do so under the prevailing conditions, unless prohibited under paragraph (d) or (f); and

(3) on the bank or ditch of a public road right-of-way on a designated class 2 all-terrain vehicle trail.

(d) A road authority as defined under section 160.02, subdivision 25, may after a public hearing restrict the use of all-terrain vehicles in the public road right-of-way under its jurisdiction.

(e) The restrictions in paragraphs (a), (d), (h), (i), and (j) do not apply to the operation of an all-terrain vehicle on the shoulder, inside bank or slope, ditch, or outside bank or slope of a trunk, interstate, county state-aid, or county highway:

(1) that is part of a funded grant-in-aid trail; or

(2) when the all-terrain vehicle is owned by or operated under contract with a publicly or privately owned utility or pipeline company and used for work on utilities or pipelines.

(f) The commissioner may limit the use of a right-of-way for a period of time if the commissioner determines that use of the right-of-way causes:

(1) degradation of vegetation on adjacent public property;

(2) siltation of waters of the state;

(3) impairment or enhancement to the act of taking game; or

(4) a threat to safety of the right-of-way users or to individuals on adjacent public property.

The commissioner must notify the road authority as soon as it is known that a closure will be ordered. The notice must state the reasons and duration of the closure.

(g) A person may operate an all-terrain vehicle registered for private use and used for agricultural purposes on a public road right-of-way of a trunk, county state-aid, or county highway in this state if the all-terrain vehicle is operated on the extreme right-hand side of the road, and left turns may be made from any part of the road if it is safe to do so under the prevailing conditions.

(h) A person shall not operate an all-terrain vehicle within the public road right-of-way of a trunk, county state-aid, or county highway from April 1 to August 1 in the agricultural zone unless the vehicle is being used exclusively

as transportation to and from work on agricultural lands. This paragraph does not apply to an agent or employee of a road authority, as defined in section 160.02, subdivision 25, or the Department of Natural Resources when performing or exercising official duties or powers.

(i) A person shall not operate an all-terrain vehicle within the public road right-of-way of a trunk, county state-aid, or county highway between the hours of one-half hour after sunset to one-half hour before sunrise, except on the right-hand side of the right-of-way and in the same direction as the highway traffic on the nearest lane of the adjacent roadway.

(j) A person shall not operate an all-terrain vehicle at any time within the right-of-way of an interstate highway or freeway within this state.

Sec. 12. **[84.973] POLLINATOR HABITAT PROGRAM.**

(a) The commissioner shall develop best management practices and habitat restoration guidelines for pollinator habitat enhancement. Best management practices and guidelines developed under this section must be used for all habitat enhancement or restoration of lands under the commissioner's control.

(b) Prairie restorations conducted on state lands or with state funds must include an appropriate diversity of native species selected to provide habitat for pollinators throughout the growing season.

Sec. 13. Minnesota Statutes 2012, section 84D.108, subdivision 2, is amended to read:

Subd. 2. **Permit requirements.** (a) Service providers must complete invasive species training provided by the commissioner and pass an examination to qualify for a permit. Service provider permits are valid for three calendar years.

(b) A \$50 application and testing fee is required for service provider permit applications.

(c) Persons working for a permittee must satisfactorily complete aquatic invasive species-related training provided by the commissioner, except as provided under paragraph (d).

(d) A person working for and supervised by a permittee is not required to complete the training under paragraph (c) if the water-related equipment or other water-related structures remain on the riparian property owned or controlled by the permittee and are only removed from and placed into the same water of the state.

Sec. 14. Minnesota Statutes 2012, section 85.015, subdivision 13, is amended to read:

Subd. 13. **Arrowhead Region Trails, Cook, Lake, St. Louis, Pine, Carlton, Koochiching, and Itasca Counties.** (a)(1) The Taconite Trail shall originate at Ely in St. Louis County and extend southwesterly to Tower in St. Louis County, thence westerly to McCarthy Beach State Park in St. Louis County, thence southwesterly to Grand Rapids in Itasca County and there terminate;

(2) The C. J. Ramstad/Northshore Trail shall originate in Duluth in St. Louis County and extend northeasterly to Two Harbors in Lake County, thence northeasterly to Grand Marais in Cook County, thence northeasterly to the international boundary in the vicinity of the north shore of Lake Superior, and there terminate;

(3) The Grand Marais to International Falls Trail shall originate in Grand Marais in Cook County and extend northwesterly, outside of the Boundary Waters Canoe Area, to Ely in St. Louis County, thence southwesterly along the route of the Taconite Trail to Tower in St. Louis County, thence northwesterly through the Pelican Lake area in St. Louis County to International Falls in Koochiching County, and there terminate;

(4) The Matthew Lourey Trail shall originate in Duluth in St. Louis County and extend southerly to ~~St. Croix~~ Chengwatana State Forest in Pine County.

(b) The trails shall be developed primarily for riding and hiking.

(c) In addition to the authority granted in subdivision 1, lands and interests in lands for the Arrowhead Region trails may be acquired by eminent domain. Before acquiring any land or interest in land by eminent domain the commissioner of administration shall obtain the approval of the governor. The governor shall consult with the Legislative Advisory Commission before granting approval. Recommendations of the Legislative Advisory Commission shall be advisory only. Failure or refusal of the commission to make a recommendation shall be deemed a negative recommendation.

Sec. 15. Minnesota Statutes 2012, section 85.052, subdivision 6, is amended to read:

Subd. 6. **State park reservation system.** (a) The commissioner may, by written order, develop reasonable reservation policies for campsites and other lodging. These policies are exempt from rulemaking provisions under chapter 14 and section 14.386 does not apply.

(b) The revenue collected from the state park reservation fee established under subdivision 5, including interest earned, shall be deposited in the state park account in the natural resources fund and is annually appropriated to the commissioner for the cost of the state park reservation system.

**EFFECTIVE DATE.** This section is effective retroactively from March 1, 2012.

Sec. 16. Minnesota Statutes 2012, section 85.053, subdivision 8, is amended to read:

Subd. 8. **Military personnel ~~on leave~~; exemption.** (a) A one-day permit, under subdivision 4, shall be issued without a fee for a motor vehicle being used by a person who is serving in active military service in any branch or unit of the United States armed forces and who is stationed outside Minnesota, during the period of active service and for 90 days immediately thereafter, if the person presents the person's current military orders to the park attendant on duty or other designee of the commissioner.

(b) For purposes of this section, "active service" has the meaning given under section 190.05, subdivision 5c, when performed outside Minnesota.

(c) A permit is not required for a motor vehicle being used by military personnel or their dependents who have in their possession the annual pass for United States military and their dependents issued by the federal government for access to federal recreation sites.

Sec. 17. Minnesota Statutes 2012, section 85.054, is amended by adding a subdivision to read:

**Subd. 18. La Salle Lake State Recreation Area.** A state park permit is not required and a fee may not be charged for motor vehicle entry, use, or parking in La Salle Lake State Recreation Area unless the occupants of the vehicle enter, use, or park in a developed campground, overnight, or day-use area.

Sec. 18. Minnesota Statutes 2012, section 85.055, subdivision 1, is amended to read:

Subdivision 1. **Fees.** The fee for state park permits for:

(1) an annual use of state parks is \$25;

- (2) a second or subsequent vehicle state park permit is \$18;
- (3) a state park permit valid for one day is \$5;
- (4) a daily vehicle state park permit for groups is \$3;
- (5) an annual permit for motorcycles is \$20;
- (6) an employee's state park permit is without charge; and
- (7) a state park permit for ~~disabled~~ persons with disabilities under section 85.053, subdivision 7, clauses (1) ~~and~~ ~~(2)~~ to (3), is \$12.

The fees specified in this subdivision include any sales tax required by state law.

Sec. 19. Minnesota Statutes 2012, section 85.055, subdivision 2, is amended to read:

Subd. 2. **Fee deposit and appropriation.** The fees collected under this section shall be deposited in the natural resources fund and credited to the state parks account. Money in the account, except for the electronic licensing system commission established by the commissioner under section 84.027, subdivision 15, and the state park reservation system fee established by the commissioner under section 85.052, subdivisions 5 and 6, is available for appropriation to the commissioner to operate and maintain the state park system.

Sec. 20. Minnesota Statutes 2012, section 85.42, is amended to read:

**85.42 USER FEE; VALIDITY.**

- (a) The fee for an annual cross-country ski pass is \$19 for an individual age 16 and over. The fee for a three-year pass is \$54 for an individual age 16 and over. This fee shall be collected at the time the pass is purchased. Three-year passes are valid for three years beginning the previous July 1. Annual passes are valid for one year beginning the previous July 1.
- (b) The cost for a daily cross-country skier pass is \$5 for an individual age 16 and over. This fee shall be collected at the time the pass is purchased. The daily pass is valid only for the date designated on the pass form.
- (c) A pass must be signed by the skier across the front of the pass to be valid and becomes nontransferable on signing.
- (d) The commissioner and agents shall issue a duplicate pass to a person whose pass is lost or destroyed, using the process established under section 97A.405, subdivision 3, and rules adopted thereunder. The fee for a duplicate cross-country ski pass is \$2.

Sec. 21. Minnesota Statutes 2012, section 89.0385, is amended to read:

**89.0385 FOREST MANAGEMENT INVESTMENT ACCOUNT; COST CERTIFICATION.**

- (a) ~~After each fiscal year,~~ The commissioner shall certify the total costs incurred for forest management, forest improvement, and road improvement on state-managed lands during ~~that~~ each fiscal year. The commissioner shall distribute forest management receipts credited to various accounts according to this section.
- (b) The amount of the certified costs incurred for forest management activities on state lands shall be transferred from the account where receipts are deposited to the forest management investment account in the natural resources

fund, except for those costs certified under section 16A.125. Transfers may occur quarterly, based on quarterly cost and revenue reports, throughout the fiscal year, with final certification and reconciliation after each fiscal year. Transfers in a fiscal year cannot exceed receipts credited to the account.

Sec. 22. Minnesota Statutes 2012, section 90.01, subdivision 4, is amended to read:

Subd. 4. **Scaler.** "Scaler" means a qualified bonded person designated by the commissioner to measure timber and cut forest products.

Sec. 23. Minnesota Statutes 2012, section 90.01, subdivision 5, is amended to read:

Subd. 5. **State appraiser.** "State appraiser" means an employee of the department designated by the commissioner to appraise state lands, which includes, but is not limited to, timber and other forest resource products, for volume, quality, and value.

Sec. 24. Minnesota Statutes 2012, section 90.01, subdivision 6, is amended to read:

Subd. 6. **Timber.** "Timber" means trees, shrubs, or woody plants, that will produce forest products of value whether standing or down, and including but not limited to logs, sawlogs, posts, poles, bolts, pulpwood, cordwood, fuelwood, woody biomass, lumber, and woody decorative material.

Sec. 25. Minnesota Statutes 2012, section 90.01, subdivision 8, is amended to read:

Subd. 8. **Permit holder.** "Permit holder" means the person ~~holding~~ who is the signatory of a permit to cut timber on state lands.

Sec. 26. Minnesota Statutes 2012, section 90.01, subdivision 11, is amended to read:

Subd. 11. **Effective permit.** "Effective permit" means a permit for which the commissioner has on file full or partial ~~surety~~ security as required by section 90.161, ~~or 90.162, 90.163, or 90.173~~ or, in the case of permits issued according to section 90.191 or 90.195, the commissioner has received a down payment equal to the full appraised value.

Sec. 27. Minnesota Statutes 2012, section 90.031, subdivision 4, is amended to read:

Subd. 4. **Timber rules.** The Executive Council may formulate and establish, from time to time, rules it deems advisable for the transaction of timber business of the state, including approval of the sale of timber on any tract in a lot exceeding ~~6,000~~ 12,000 cords in volume when the sale is in the best interests of the state, and may abrogate, modify, or suspend rules at its pleasure.

Sec. 28. Minnesota Statutes 2012, section 90.041, subdivision 2, is amended to read:

Subd. 2. **Trespass on state lands.** The commissioner may compromise and settle, with ~~the approval of~~ notification to the attorney general, upon terms the commissioner deems just, any claim of the state for casual and involuntary trespass upon state lands or timber; provided that no claim shall be settled for less than the full value of all timber or other materials taken in casual trespass or the full amount of all actual damage or loss suffered by the state as a result. Upon request, the commissioner shall advise the Executive Council of any information acquired by the commissioner concerning any trespass on state lands, giving all details and names of witnesses and all compromises and settlements made under this subdivision.

Sec. 29. Minnesota Statutes 2012, section 90.041, subdivision 5, is amended to read:



Subd. 5. **Forest improvement contracts.** The commissioner may contract as part of the timber sale with the purchaser of state timber at either informal or auction sale for ~~the following~~ forest improvement work to be done on the land included within the sale area: Forest improvement work may include activities relating to preparation of the site for seeding or planting of seedlings or trees, seeding or planting of seedlings or trees, and other activities relating related to forest regeneration or deemed necessary by the commissioner to accomplish forest management objectives, including those related to water quality protection, trail development, and wildlife habitat enhancement. A contract issued under this subdivision is not subject to the competitive bidding provisions of chapter 16C and is exempt from the contract approval provisions of section 16C.05, subdivision 2. The bid value received in the sale of the timber and the contract bid cost of the improvement work may be combined and the total value may be considered by the commissioner in awarding forest improvement contracts under this section. The commissioner may refuse to accept any and all bids received and cancel a forest improvement contract sale for good and sufficient reasons.

Sec. 30. Minnesota Statutes 2012, section 90.041, subdivision 6, is amended to read:

Subd. 6. **Sale of damaged timber.** The commissioner may sell at public auction timber that has been damaged by fire, windstorm, flood, insect, disease, or other natural cause on notice that the commissioner considers reasonable when there is a high risk that the salvage value of the timber would be lost.

Sec. 31. Minnesota Statutes 2012, section 90.041, subdivision 9, is amended to read:

Subd. 9. **Reoffering unsold timber.** ~~To maintain and enhance forest ecosystems on state forest lands,~~ The commissioner may reoffer timber tracts remaining unsold under the provisions of section 90.101 below appraised value at public auction with the required 30-day notice under section 90.101, subdivision 2.

Sec. 32. Minnesota Statutes 2012, section 90.041, is amended by adding a subdivision to read:

Subd. 10. **Fees.** (a) The commissioner may establish a fee schedule that covers the commissioner's cost of issuing, administering, and processing various permits, permit modifications, transfers, assignments, amendments, and other transactions necessary to the administration of activities under this chapter.

(b) A fee established under this subdivision is not subject to the rulemaking provisions of chapter 14 and section 14.386 does not apply. The commissioner may establish fees under this subdivision notwithstanding section 16A.1283.

Sec. 33. Minnesota Statutes 2012, section 90.041, is amended by adding a subdivision to read:

Subd. 11. **Debarment.** The commissioner may debar a permit holder if the holder is convicted in Minnesota at the gross misdemeanor or felony level of criminal willful trespass, theft, fraud, or antitrust violation involving state, federal, county, or privately owned timber in Minnesota or convicted in any other state involving similar offenses and penalties for timber owned in that state. The commissioner shall cancel and repossess the permit directly involved in the prosecution of the crime. The commissioner shall cancel and repossess all other state timber permits held by the permit holder after taking from all security deposits money to which the state is entitled. The commissioner shall return the remainder of the security deposits, if any, to the permit holder. The debarred permit holder is prohibited from bidding, possessing, or being employed on any state timber permit during the period of debarment. The period of debarment is not less than one year or greater than three years. The duration of the debarment is based on the severity of the violation, past history of compliance with timber permits, and the amount of loss incurred by the state arising from violations of timber permits.

Sec. 34. Minnesota Statutes 2012, section 90.045, is amended to read:

#### **90.045 APPRAISAL STANDARDS.**

By July 1, 1983, the commissioner shall establish specific timber appraisal standards according to which all timber appraisals will be conducted under this chapter. The standards shall include a specification of the maximum allowable appraisal sampling error, ~~and~~ including the procedures for tree defect allowance, tract area estimation, product volume estimation, and product value determination. The timber appraisal standards shall be included in each edition of the timber sales manual published by the commissioner. In addition to the duties pursuant to section 90.061, every state appraiser shall work within the guidelines of the timber appraisal standards. The standards shall not be subject to the rulemaking provisions of chapter 14.

Sec. 35. Minnesota Statutes 2012, section 90.061, subdivision 8, is amended to read:

Subd. 8. **Appraiser authority; form of documents.** State appraisers are empowered, with the consent of the commissioner, to perform any scaling, and generally to supervise the cutting and removal of timber and forest products on or from state lands so far as may be reasonably necessary to insure compliance with the terms of the permits or other contracts governing the same and protect the state from loss.

The form of appraisal reports, records, and notes to be kept by state appraisers shall be as the commissioner prescribes.

Sec. 36. Minnesota Statutes 2012, section 90.101, subdivision 1, is amended to read:

Subdivision 1. **Sale requirements.** The commissioner may sell the timber on any tract of state land and may determine the number of sections or fractional sections of land to be included in the permit area covered by any one permit issued to the purchaser of timber on state lands, or in any one contract or other instrument relating thereto. No timber shall be sold, except (1) to the highest responsible bidder at public auction, or (2) if unsold at public auction, the commissioner may offer the timber for private sale for a period of no more than ~~six months~~ one year after the public auction to any ~~person~~ responsible bidder who pays the appraised value for the timber. The minimum price shall be the appraised value as fixed by the report of the state appraiser. Sales may include tracts in more than one contiguous county or forestry administrative area and shall be held either in the county or forestry administrative area in which the tract is located or in an adjacent county or forestry administrative area that is nearest the tract offered for sale or that is most accessible to potential bidders. In adjoining counties or forestry administrative areas, sales may not be held less than two hours apart.

Sec. 37. Minnesota Statutes 2012, section 90.121, is amended to read:

**90.121 INTERMEDIATE AUCTION SALES; MAXIMUM LOTS OF 3,000 CORDS.**

(a) The commissioner may sell the timber on any tract of state land in lots not exceeding 3,000 cords in volume, in the same manner as timber sold at public auction under section 90.101, and related laws, subject to the following special exceptions and limitations:

(1) the commissioner shall offer all tracts authorized for sale by this section separately from the sale of tracts of state timber made pursuant to section 90.101;

(2) no bidder may be awarded more than 25 percent of the total tracts offered at the first round of bidding unless fewer than four tracts are offered, in which case not more than one tract shall be awarded to one bidder. Any tract not sold at public auction may be offered for private sale as authorized by section 90.101, subdivision 1, 30 days after the auction to ~~persons~~ responsible bidders eligible under this section at the appraised value; and

(3) no sale may be made to a ~~person~~ responsible bidder having more than 30 employees. For the purposes of this clause, "employee" means an individual working in the timber or wood products industry for salary or wages on a full-time or part-time basis.

(b) The auction sale procedure set forth in this section constitutes an additional alternative timber sale procedure available to the commissioner and is not intended to replace other authority possessed by the commissioner to sell timber in lots of 3,000 cords or less.

(c) Another bidder or the commissioner may request that the number of employees a bidder has pursuant to paragraph (a), clause (3), be confirmed by signed affidavit if there is evidence that the bidder may be ineligible due to exceeding the employee threshold. The commissioner shall request information from the commissioners of labor and industry and employment and economic development including the premiums paid by the bidder in question for workers' compensation insurance coverage for all employees of the bidder. The commissioner shall review the information submitted by the commissioners of labor and industry and employment and economic development and make a determination based on that information as to whether the bidder is eligible. A bidder is considered eligible and may participate in intermediate auctions until determined ineligible under this paragraph.

Sec. 38. Minnesota Statutes 2012, section 90.145, is amended to read:

#### **90.145 PURCHASER QUALIFICATIONS AND, REGISTRATION, AND REQUIREMENTS.**

Subdivision 1. **Purchaser qualifications requirements.** (a) In addition to any other requirements imposed by this chapter, the purchaser of a state timber permit issued under section 90.151 must meet the requirements in paragraphs (b) to ~~(d)~~ (e).

(b) The purchaser ~~and~~ or the purchaser's agents, employees, subcontractors, and assigns conducting logging operations on the timber permit must comply with general industry safety standards for logging adopted by the commissioner of labor and industry under chapter 182. The commissioner of natural resources ~~shall~~ may require a purchaser to provide proof of compliance with the general industry safety standards.

(c) The purchaser ~~and~~ or the purchaser's agents, subcontractors, and assigns conducting logging operations on the timber permit must comply with the mandatory insurance requirements of chapter 176. The commissioner ~~shall~~ may require a purchaser to provide a copy of the proof of insurance required by section 176.130 before the start of harvesting operations on any permit.

(d) Before the start of harvesting operations on any permit, the purchaser must certify that a foreperson or other designated employee who has a current certificate of completion, which includes instruction in site-level forest management guidelines or best management practices, from the Minnesota Logger Education Program (MLEP), the Wisconsin Forest Industry Safety and Training Alliance (FISTA), or any similar continuous education program acceptable to the commissioner, is supervising active logging operations.

(e) The purchaser and the purchaser's agents, employees, subcontractors, and assigns who will be involved with logging or scaling state timber must be in compliance with this chapter.

Subd. 2. **Purchaser preregistration registration.** To facilitate the sale of permits issued under section 90.151, the commissioner may establish a ~~purchaser preregistration~~ registration system to verify the qualifications of a person as a responsible bidder to purchase a timber permit. Any system implemented by the commissioner shall be limited in scope to only that information that is required for the efficient administration of the purchaser qualification ~~provisions~~ requirements of this chapter ~~and shall conform with the requirements of chapter 13.~~ The registration system established under this subdivision is not subject to the rulemaking provisions of chapter 14 and section 14.386 does not apply.

Sec. 39. Minnesota Statutes 2012, section 90.151, subdivision 1, is amended to read:

Subdivision 1. **Issuance; expiration.** (a) Following receipt of the down payment for state timber required under section 90.14 or 90.191, the commissioner shall issue a numbered permit to the purchaser, in a form approved by the attorney general, by the terms of which the purchaser shall be authorized to enter upon the land, and to cut and remove the timber therein described as designated for cutting in the report of the state appraiser, according to the provisions of this chapter. The permit shall be correctly dated and executed by the commissioner and signed by the purchaser. If a permit is not signed by the purchaser within ~~60~~ 45 days from the date of purchase, the permit cancels and the down payment for timber required under section 90.14 forfeits to the state. The commissioner may grant an additional period for the purchaser to sign the permit, not to exceed ~~five~~ ten business days, provided the purchaser pays a ~~\$125~~ \$200 penalty fee.

(b) The permit shall expire no later than five years after the date of sale as the commissioner shall specify or as specified under section 90.191, and the timber shall be cut and removed within the time specified therein. ~~All cut timber, equipment, and buildings not removed from the land within 90 days after expiration of the permit shall become the property of the state. If additional time is needed, the permit holder must request, prior to the expiration date, and may be granted, for good and sufficient reasons, up to 90 additional days for the completion of skidding, hauling, and removing all equipment and buildings. All cut timber, equipment, and buildings not removed from the land after expiration of the permit becomes the property of the state.~~

(c) The commissioner may grant an additional period of time not to exceed ~~120~~ 240 days for the removal of cut timber, equipment, and buildings upon receipt of ~~such a written~~ request by the permit holder for good and sufficient reasons. ~~The commissioner may grant a second period of time not to exceed 120 days for the removal of cut timber, equipment, and buildings upon receipt of a request by the permit holder for hardship reasons only. The permit holder may combine in the written request under this paragraph the request for additional time under paragraph (b).~~

Sec. 40. Minnesota Statutes 2012, section 90.151, subdivision 2, is amended to read:

Subd. 2. **Permit requirements.** The permit shall state the amount of timber estimated for cutting on the land, the estimated value thereof, and the price at which it is sold in units of per thousand feet, per cord, per piece, per ton, or by whatever description sold, and shall specify that all landings of cut products shall be legibly marked with the assigned permit number. The permit shall provide for the continuous identification and control of the cut timber from the time of cutting until delivery to the consumer. The permit shall provide that failure to continuously identify the timber as specified in the permit constitutes trespass.

Sec. 41. Minnesota Statutes 2012, section 90.151, subdivision 3, is amended to read:

Subd. 3. **Security provisions.** The permit shall contain such provisions as may be necessary to secure to the state the title of all timber cut thereunder wherever found until full payment therefor and until all provisions of the permit have been fully complied with. The permit shall provide that from the date ~~the same becomes effective~~ cutting commences until the expiration ~~thereof of the permit~~, including all extensions, the purchaser and successors in interest shall be liable to the state for the full permit price of all timber covered thereby, notwithstanding any subsequent damage or injury thereto or trespass thereon or theft thereof, and without prejudice to the right of the state to pursue such timber and recover the value thereof anywhere prior to the payment therefor in full to the state. If an effective permit is forfeited prior to any cutting activity, the purchaser is liable to the state for a sum equal to the down payment and bid guarantee. Upon recovery from any person other than the permit holder, the permit holder shall be deemed released to the extent of the net amount, after deducting all expenses of collecting same, recovered by the state from such other person.

Sec. 42. Minnesota Statutes 2012, section 90.151, subdivision 4, is amended to read:

Subd. 4. **Permit terms.** Once a permit becomes effective and cutting commences, the permit holder is liable to the state for the permit price for all timber required to be cut, including timber not cut. The permit shall provide that all timber sold or designated for cutting shall be cut ~~without~~ in such a manner so as not to cause damage to other timber; that the permit holder shall remove all timber authorized and designated to be cut under the permit; that timber sold by ~~board~~ measure identified in the permit, but later determined by the commissioner not to be convertible into ~~board~~ the permit's measure, shall be paid for by the piece or cord or other unit of measure according to the size, species, or value, as may be determined by the commissioner; and that all timber products, except as specified by the commissioner, shall be scaled and the final settlement for the timber cut shall be made on this scale; ~~and that the permit holder shall pay to the state the permit price for all timber authorized to be cut, including timber not cut.~~

Sec. 43. Minnesota Statutes 2012, section 90.151, subdivision 6, is amended to read:

Subd. 6. **Notice and approval required.** The permit shall provide that the permit holder shall not start cutting any state timber nor clear ~~building sites~~ landings nor logging roads until the commissioner has been notified and has given prior approval to such cutting operations. Approval shall not be granted until the permit holder has completed a presale conference with the state appraiser designated to supervise the cutting. The permit holder shall also give prior notice whenever permit operations are to be temporarily halted, whenever permit operations are to be resumed, and when permit operations are to be completed.

Sec. 44. Minnesota Statutes 2012, section 90.151, subdivision 7, is amended to read:

Subd. 7. **Liability for timber cut in trespass.** The permit shall provide that the permit holder shall pay the permit price value for any timber sold which is negligently destroyed or damaged by the permit holder in cutting or removing other timber sold. If the permit holder shall cut or remove or negligently destroy or damage any timber upon the land described, not sold under the permit, except such timber as it may be necessary to cut and remove in the construction of necessary logging roads and landings approved as to location and route by the commissioner, such timber shall be deemed to have been cut in trespass. The permit holder shall be liable for any such timber and recourse may be had upon the ~~bond~~ security deposit.

Sec. 45. Minnesota Statutes 2012, section 90.151, subdivision 8, is amended to read:

Subd. 8. **Suspension; cancellation.** The permit shall provide that the commissioner shall have the power to order suspension of all operations under the permit when ~~in the commissioner's judgment~~ the conditions thereof have not been complied with and any timber cut or removed during such suspension shall be deemed to have been cut in trespass; that the commissioner may cancel the permit at any time ~~when in the commissioner's judgment the conditions thereof have not been complied with~~ due to a breach of the permit conditions and such cancellation shall constitute repossession of the timber by the state; that the permit holder shall remove equipment and buildings from such land within 90 days after such cancellation; that, if the purchaser at any time fails to pay any obligations to the state under any other permits, any or all permits may be canceled; and that any timber cut or removed in violation of the terms of the permit or of any law shall constitute trespass.

Sec. 46. Minnesota Statutes 2012, section 90.151, subdivision 9, is amended to read:

Subd. 9. **Slashings disposal.** The permit shall provide that the permit holder shall ~~burn or otherwise~~ dispose of or treat all slashings or other refuse resulting from cutting operations, as specified in the permit, in the manner now or hereafter provided by law.

Sec. 47. Minnesota Statutes 2012, section 90.161, is amended to read:

**90.161 SURETY BONDS FOR AUCTION SECURITY DEPOSITS REQUIRED FOR EFFECTIVE TIMBER PERMITS.**

Subdivision 1. **Bond Security deposit required.** (a) Except as otherwise provided by law, the purchaser of any state timber, before any timber permit becomes effective for any purpose, shall give a good and valid bond security in the form of cash; a certified check; a cashier's check; a postal, bank, or express money order; a corporate surety bond; or an irrevocable bank letter of credit to the state of Minnesota equal to the value of all timber covered or to be covered by the permit, as shown by the sale price bid and the appraisal report as to quantity, less the amount of any payments pursuant to ~~sections~~ section 90.14 and 90.163.

(b) The bond security deposit shall be conditioned upon the faithful performance by the purchaser and successors in interest of all terms and conditions of the permit and all requirements of law in respect to timber sales. The bond security deposit shall be approved in writing by the commissioner and filed for record in the commissioner's office.

(c) ~~In the alternative to cash and bond requirements, but upon the same conditions,~~ A purchaser may post bond for 100 percent of the purchase price and request refund of the amount of any payments pursuant to ~~sections~~ section 90.14 and 90.163. The commissioner may credit the refund to any other permit held by the same permit holder if the permit is delinquent as provided in section 90.181, subdivision 2, or may credit the refund to any other permit to which the permit holder requests that it be credited.

(d) In the event of a default, the commissioner may take from the deposit the sum of money to which the state is entitled. The commissioner shall return the remainder of the deposit, if any, to the person making the deposit. When cash is deposited as security, it shall be applied to the amount due when a statement is prepared and transmitted to the permit holder according to section 90.181. Any balance due to the state shall be shown on the statement and shall be paid as provided in section 90.181. Any amount of the deposit in excess of the amount determined to be due according to section 90.181 shall be returned to the permit holder when a final statement is transmitted under section 90.181. All or part of a cash deposit may be withheld from application to an amount due on a nonfinal statement if it appears that the total amount due on the permit will exceed the bid price.

(e) If an irrevocable bank letter of credit is provided as security under paragraph (a), at the written request of the permittee, the commissioner shall annually allow the amount of the bank letter of credit to be reduced by an amount proportionate to the value of timber that has been harvested and for which the state has received payment under the timber permit. The remaining amount of the bank letter of credit after a reduction under this paragraph must not be less than the value of the timber remaining to be harvested under the timber permit.

(f) If cash; a certified check; a cashier's check; a personal check; or a postal, bank, or express money order is provided as security under paragraph (a) and no cutting of state timber has taken place on the permit, the commissioner may credit the security provided, less any deposit required under section 90.14, to any other permit to which the permit holder requests in writing that it be credited.

Subd. 2. **Failure to bond provide security deposit.** ~~If bond~~ the security deposit is not furnished, no harvesting may occur and ~~the down payment for timber~~ 15 percent of the permit's purchase price shall forfeit to the state when the permit expires.

Subd. 3. **Subrogation.** ~~In case of default~~ When security is provided by surety bond and the permit holder defaults in payment by the permit holder, the surety upon the bond shall make payment in full to the state of all sums of money due under such permit; and thereupon such surety shall be deemed immediately subrogated to all the rights of the state in the timber so paid for; and such subrogated party may pursue the timber and recover therefor, or

have any other appropriate relief in relation thereto which the state might or could have had if such surety had not made such payment. No assignment or other writing on the part of the state shall be necessary to make such subrogation effective, but the certificate signed by and bearing the official seal of the commissioner, showing the amount of such timber, the lands from which it was cut or upon which it stood, and the amount paid therefor, shall be prima facie evidence of such facts.

Subd. 4. **Change of security.** Prior to any ~~harvest~~ cutting activity, or activities incidental to the preparation for harvest, a purchaser having posted a ~~bond~~ security deposit for 100 percent of the purchase price of a sale may request the release of the ~~bond~~ security and the commissioner shall grant the release ~~upon cash payment to the commissioner of 15 percent of the appraised value of the sale, plus eight percent interest on the appraised value of the sale from the date of purchase to the date of release~~ while retaining, or upon repayment of, the permit's down payment and bid guarantee deposit requirement.

Subd. 5. **Return of security.** Any security required under this section shall be returned to the purchaser within 60 days after the final scale.

Sec. 48. Minnesota Statutes 2012, section 90.162, is amended to read:

**90.162 ALTERNATIVE TO BOND OR DEPOSIT REQUIREMENTS SECURING TIMBER PERMITS WITH CUTTING BLOCKS.**

In lieu of the ~~bond or cash~~ security deposit equal to the value of all timber covered by the permit required by section 90.161 ~~or 90.173~~, a purchaser of state timber may elect in writing on a form prescribed by the attorney general to give good and valid surety to the state of Minnesota equal to the purchase price for any designated cutting block identified on the permit before the date the purchaser enters upon the land to begin harvesting the timber on the designated cutting block.

Sec. 49. **[90.164] TIMBER PERMIT DEVELOPMENT OPTION.**

With the completion of the presale conference requirement under section 90.151, subdivision 6, a permit holder may access the permit area in advance of the permit being fully secured as required by section 90.161, for the express purpose of clearing approved landings and logging roads. No cutting of state timber except that incidental to the clearing of approved landings and logging roads is allowed under this section.

Sec. 50. Minnesota Statutes 2012, section 90.171, is amended to read:

**90.171 ASSIGNMENT OF AUCTION TIMBER PERMITS.**

Any permit sold at public auction may be assigned upon written approval of the commissioner. The assignment of any permit shall be signed and acknowledged by the permit holder. The commissioner shall not approve any assignment until the assignee has been determined to meet the qualifications of a responsible bidder and has given to the state a ~~bond~~ security deposit which shall be substantially in the form of, and shall be deemed of the same effect as, the ~~bond~~ security deposit required of the original purchaser. The commissioner may accept ~~the an~~ an agreement of the assignee and any corporate surety upon ~~such an~~ an original bond, substituting the assignee in the place of ~~such the~~ the original purchaser and continuing ~~such the~~ the original bond in full force and effect, as to the assignee. Thereupon but not otherwise the permit holder making the assignment shall be released from all liability arising or accruing from actions taken after the assignment became effective.

Sec. 51. Minnesota Statutes 2012, section 90.181, subdivision 2, is amended to read:

Subd. 2. **Deferred payments.** (a) If the amount of the statement is not paid within 30 days of the date thereof, it shall bear interest at the rate determined pursuant to section 16A.124, except that the purchaser shall not be required to pay interest that totals \$1 or less. If the amount is not paid within 60 days, the commissioner shall place the account in the hands of the commissioner of revenue according to chapter 16D, who shall proceed to collect the same. When deemed in the best interests of the state, the commissioner shall take possession of the timber for which an amount is due wherever it may be found and sell the same informally or at public auction after giving reasonable notice.

(b) The proceeds of the sale shall be applied, first, to the payment of the expenses of seizure and sale; and, second, to the payment of the amount due for the timber, with interest; and the surplus, if any, shall belong to the state; and, in case a sufficient amount is not realized to pay these amounts in full, the balance shall be collected by the attorney general. Neither payment of the amount, nor the recovery of judgment therefor, nor satisfaction of the judgment, nor the seizure and sale of timber, shall release the sureties on any ~~bond~~ security deposit given pursuant to this chapter, or preclude the state from afterwards claiming that the timber was cut or removed contrary to law and recovering damages for the trespass thereby committed, or from prosecuting the offender criminally.

Sec. 52. Minnesota Statutes 2012, section 90.191, subdivision 1, is amended to read:

Subdivision 1. **Sale requirements.** The commissioner may sell the timber on any tract of state land in lots not exceeding 500 cords in volume, without formalities but for not less than the full appraised value thereof, to any person. No sale shall be made under this section to any person holding ~~two more than four~~ two more than four permits issued hereunder which are still in effect; ~~except that (1) a partnership as defined in chapter 323, which may include spouses but which shall provide evidence that a partnership exists, may be holding two permits for each of not more than three partners who are actively engaged in the business of logging or who are the spouses of persons who are actively engaged in the business of logging with that partnership; and (2) a corporation, a majority of whose shares and voting power are owned by natural persons related to each other within the fourth degree of kindred according to the rules of the civil law or their spouses or estates, may be holding two permits for each of not more than three shareholders who are actively engaged in the business of logging or who are the spouses of persons who are actively engaged in the business of logging with that corporation.~~

Sec. 53. Minnesota Statutes 2012, section 90.193, is amended to read:

#### **90.193 EXTENSION OF TIMBER PERMITS.**

The commissioner may, in the case of an exceptional circumstance beyond the control of the timber permit holder which makes it unreasonable, impractical, and not feasible to complete cutting and removal under the permit within the time allowed, grant ~~an~~ one regular extension ~~of~~ for one year. A written request for the regular extension must be received by the commissioner before the permit expires. The request must state the reason the extension is necessary and be signed by the permit holder. An interest rate of eight percent may be charged for the period of extension.

Sec. 54. Minnesota Statutes 2012, section 90.195, is amended to read:

#### **90.195 SPECIAL USE AND PRODUCT PERMIT.**

(a) The commissioner may issue a permit to salvage or cut not to exceed 12 cords of fuelwood per year for personal use from either or both of the following sources: (1) dead, down, and ~~diseased~~ damaged trees; (2) other trees that are of negative value under good forest management practices. The permits may be issued for a period not to exceed one year. The commissioner shall charge a fee for the permit ~~that shall cover the commissioner's cost of issuing the permit and~~ as provided under section 90.041, subdivision 10. The fee shall not exceed the current market value of fuelwood of similar species, grade, and volume that is being sold in the area where the salvage or cutting is authorized under the permit.



(b) The commissioner may issue a special product permit under section 89.42 for commercial use, which may include incidental volumes of boughs, gravel, hay, biomass, and other products derived from forest management activities. The value of the products is the current market value of the products that are being sold in the area. The permit may be issued for a period not to exceed one year and the commissioner shall charge a fee for the permit as provided under section 90.041, subdivision 10.

(c) The commissioner may issue a special use permit for incidental volumes of timber from approved right-of-way road clearing across state land for the purpose of accessing a state timber permit. The permit shall include the volume and value of timber to be cleared and may be issued for a period not to exceed one year. A presale conference as required under section 90.151, subdivision 6, must be completed before the start of any activities under the permit.

Sec. 55. Minnesota Statutes 2012, section 90.201, subdivision 2a, is amended to read:

Subd. 2a. **Prompt payment of refunds.** Any refund of cash that is due to a permit holder as determined on a final statement transmitted pursuant to section 90.181 or a refund of cash made pursuant to section 90.161, subdivision 1, ~~or 90.173, paragraph (a)~~, shall be paid to the permit holder according to section 16A.124 unless the refund is credited on another permit as provided in this chapter.

Sec. 56. Minnesota Statutes 2012, section 90.211, is amended to read:

#### **90.211 PURCHASE MONEY, WHEN FORFEITED.**

If the holder of an effective permit begins to cut and then fails to ~~cut~~ complete any part ~~thereof~~ of the permit before the expiration of the permit, the permit holder shall nevertheless pay the price therefor; but under no circumstances shall timber be cut after the expiration of the permit or extension thereof.

Sec. 57. Minnesota Statutes 2012, section 90.221, is amended to read:

#### **90.221 TIMBER SALES RECORDS.**

The commissioner shall keep timber sales records, including the description of each tract of land from which any timber is sold; the date of the report of the state appraisers; the kind, amount, and value of the timber as shown by such report; the date of the sale; the price for which the timber was sold; the name of the purchaser; the number, date of issuance and date of expiration of each permit; the date of any assignment of the permit; the name of the assignee; the dates of the filing and the amounts of the respective ~~bonds~~ security deposits by the purchaser and assignee; the names of the sureties thereon; the amount of timber taken from the land; the date of the report of the scaler and state appraiser; the names of the scaler and the state appraiser who scaled the timber; and the amount paid for such timber and the date of payment.

Sec. 58. Minnesota Statutes 2012, section 90.252, subdivision 1, is amended to read:

Subdivision 1. **Consumer scaling.** The commissioner may enter into an agreement with either a timber sale permittee, or the purchaser of the cut products, or both, so that the scaling of the cut timber and the collection of the payment for the same can be consummated by the ~~consumer~~ state. Such an agreement shall be approved as to form and content by the attorney general and shall provide for a bond or cash in lieu of a bond and such other safeguards as are necessary to protect the interests of the state. The scaling and payment collection procedure may be used for any state timber sale, except that no permittee who is also the consumer shall both cut and scale the timber sold unless such scaling is supervised by a state scaler.

Sec. 59. Minnesota Statutes 2012, section 90.301, subdivision 2, is amended to read:

Subd. 2. **Seizure of unlawfully cut timber.** The commissioner may take possession of any timber hereafter unlawfully cut upon or taken from any land owned by the state wherever found and may sell the same informally or at public auction after giving such notice as the commissioner deems reasonable and after deducting all the expenses of such sale the proceeds thereof shall be paid into the state treasury to the credit of the proper fund; and when any timber so unlawfully cut has been intermingled with any other timber or property so that it cannot be identified or plainly separated therefrom the commissioner may so seize and sell the whole quantity so intermingled and, in such case, the whole quantity of such timber shall be conclusively presumed to have been unlawfully taken from state land. When the timber unlawfully cut or removed from state land is so seized and sold, the seizure shall not in any manner relieve the trespasser who cut or removed, or caused the cutting or removal of, any such timber from the full liability imposed by this chapter for the trespass so committed, but the net amount realized from such sale shall be credited on whatever judgment is recovered against such trespasser, if the trespass was deemed to be casual and involuntary.

Sec. 60. Minnesota Statutes 2012, section 90.301, subdivision 4, is amended to read:

Subd. 4. **Apprehension of trespassers; reward.** The commissioner may offer a reward to be paid to a person giving to the proper authorities any information that leads to the conviction of a person violating this chapter. The reward is limited to the greater of \$100 or ten percent of the single stumpage value of any timber unlawfully cut or removed. The commissioner shall pay the reward from funds appropriated for that purpose or from receipts from the sale of state timber. A reward shall not be paid to salaried forest officers, state appraisers, scalers, conservation officers, or licensed peace officers.

Sec. 61. Minnesota Statutes 2012, section 90.41, subdivision 1, is amended to read:

Subdivision 1. **Violations and penalty.** (a) Any state scaler or state appraiser who shall accept any compensation or gratuity for services as such from any other source except the state of Minnesota, or any state scaler, or other person authorized to scale state timber, or state appraiser, who shall make any false report, or insert in any such report any false statement, or shall make any such report without having examined the land embraced therein or without having actually been upon the land, or omit from any such report any statement required by law to be made therein, or who shall fail to report any known trespass committed upon state lands, or who shall conspire with any other person in any manner, by act or omission or otherwise, to defraud or unlawfully deprive the state of Minnesota of any land or timber, or the value thereof, shall be guilty of a felony. Any material discrepancy between the facts and the scale returned by any such person scaling timber for the state shall be considered prima facie evidence that such person is guilty of violating this statute.

(b) No such appraiser or scaler who has been once discharged for cause shall ever again be appointed. This provision shall not apply to resignations voluntarily made by and accepted from such employees.

Sec. 62. Minnesota Statutes 2012, section 93.46, is amended by adding a subdivision to read:

Subd. 10. **Scram mining.** "Scram mining" means a mining operation that produces natural iron ore, natural iron ore concentrates, or taconite ore as described in section 93.20, subdivisions 12 to 18, from previously developed stockpiles, tailing basins, underground mine workings, or open pits and that involves no more than 80 acres of land not previously affected by mining, or more than 80 acres of land not previously affected by mining if the operator can demonstrate that impacts would be substantially the same as other scram operations. "Land not previously affected by mining" means land upon which mine wastes have not been deposited and land from which materials have not been removed in connection with the production or extraction of metallic minerals.

Sec. 63. Minnesota Statutes 2012, section 93.481, subdivision 3, is amended to read:

Subd. 3. **Term of permit; amendment.** (a) A permit issued by the commissioner pursuant to this section shall be granted for the term determined necessary by the commissioner for the completion of the proposed mining operation, including reclamation or restoration. The term of a scam mining permit for iron ore or taconite shall be determined in the same manner as a permit to mine for an iron ore or taconite mining operation.

(b) A permit may be amended upon written application to the commissioner. A permit amendment application fee must be submitted with the written application. The permit amendment application fee is ten percent of the amount provided for in subdivision 1, clause (3), for an application for the applicable permit to mine. If the commissioner determines that the proposed amendment constitutes a substantial change to the permit, the person applying for the amendment shall publish notice in the same manner as for a new permit, and a hearing shall be held if written objections are received in the same manner as for a new permit. An amendment may be granted by the commissioner if the commissioner determines that lawful requirements have been met.

Sec. 64. **[93.61] DRILL CORE LIBRARY ACCESS.**

Consistent with section 13.03, subdivision 3, a person shall not be required to pay a fee to access exploration data, exploration drill core data, mineral evaluation data, and mining data stored in the drill core library located in Hibbing, Minnesota, and managed by the commissioner of natural resources. The library shall be open during regular business hours.

Sec. 65. Minnesota Statutes 2012, section 97A.401, subdivision 3, is amended to read:

Subd. 3. **Taking, possessing, and transporting wild animals for certain purposes.** (a) Except as provided in paragraph (b), special permits may be issued without a fee to take, possess, and transport wild animals as pets and for scientific, educational, rehabilitative, wildlife disease prevention and control, and exhibition purposes. The commissioner shall prescribe the conditions for taking, possessing, transporting, and disposing of the wild animals.

(b) A special permit may not be issued to take or possess wild or native deer for exhibition, propagation, or as pets.

(c) Nonresident professional wildlife rehabilitators with a federal rehabilitation permit may possess and transport wildlife affected by oil spills.

Sec. 66. **[103G.217] DRIFTLESS AREA WATER RESOURCES.**

(a) Groundwater discharge from natural springs and seepage areas in the driftless area of Minnesota, corresponding to the area of the state contained within the boundaries of the Department of Natural Resources Paleozoic Plateau Ecological Section, is vital to sustaining the coldwater aquatic ecosystems in the region, as well as the recreational, commercial, agricultural, environmental, aesthetic, and economic well-being of the region.

(b) Within the boundaries of the Department of Natural Resources Paleozoic Plateau Ecological Section, no excavation or mining of silica sand, including, but not limited to, digging, excavating, mining, drilling, blasting, tunneling, dredging, stripping, or shafting, may occur within one mile of a designated trout stream as listed in Minnesota Rules unless a silica sand mining trout stream setback permit has been issued by the commissioner.

(c) Before issuing a permit under this section, the commissioner shall:

(1) require a project proposer to do a hydrogeological evaluation and collect any other information necessary to assess potential impacts to hydrogeological features, including private and public drinking water supply wells; and

(2) identify appropriate setbacks from designated trout streams, springs, and other hydrogeologic features and any other restrictions necessary to protect trout stream water quantity, quality, and habitat.

(d) The commissioner may assess the project proposer fees to cover the reasonable costs of duties performed under this section.

**EFFECTIVE DATE.** This section is effective the day following final enactment and applies to new silica sand mining projects and projects for which environmental review documents have been noticed for public comments after April 30, 2013.

Sec. 67. Minnesota Statutes 2012, section 103G.265, subdivision 2, is amended to read:

Subd. 2. **Diversion greater than 2,000,000 gallons per day.** A water use permit or a plan that requires a permit or the commissioner's approval, involving a diversion of waters of the state of more than 2,000,000 gallons per day average in a 30-day period, to a place outside of this state or from the basin of origin within this state may not be granted or approved until:

~~(1) a determination is made by the commissioner that the water remaining in the basin of origin will be adequate to meet the basin's water resources needs during the specified life of the diversion project and, for groundwater, the diversion meets the applicable standards under section 103G.287, subdivision 5; and~~

~~(2) approval of the diversion is given by the legislature.~~

Sec. 68. Minnesota Statutes 2012, section 103G.265, subdivision 3, is amended to read:

Subd. 3. **Consumptive use of more than 2,000,000 gallons per day.** ~~(a) Except as provided in paragraph (b),~~ A water use permit or a plan that requires a permit or the commissioner's approval, involving a consumptive use of more than 2,000,000 gallons per day average in a 30-day period, may not be granted or approved until:

~~(1) a determination is made by the commissioner that the water remaining in the basin of origin will be adequate to meet the basin's water resources needs during the specified life of the consumptive use and, for groundwater, the consumptive use meets the applicable standards under section 103G.287, subdivision 5; and~~

~~(2) approval of the consumptive use is given by the legislature.~~

~~(b) Legislative approval under paragraph (a), clause (2), is not required for a consumptive use in excess of 2,000,000 gallons per day average in a 30-day period for:~~

~~(1) a domestic water supply, excluding industrial and commercial uses of a municipal water supply;~~

~~(2) agricultural irrigation and processing of agricultural products;~~

~~(3) construction and mine land dewatering;~~

~~(4) pollution abatement or remediation; and~~

~~(5) fish and wildlife enhancement projects using surface water sources.~~

Sec. 69. Minnesota Statutes 2012, section 103G.271, subdivision 1, is amended to read:

Subdivision 1. **Permit required.** (a) Except as provided in paragraph (b), the state, a person, partnership, or association, private or public corporation, county, municipality, or other political subdivision of the state may not appropriate or use waters of the state without a water use permit from the commissioner.

(b) This section does not apply to use for a water supply by less than 25 persons for domestic purposes, except as required by the commissioner under section 103G.287, subdivision 4, paragraph (b).

(c) The commissioner may issue a state general permit for appropriation of water to a governmental subdivision or to the general public. The general permit may authorize more than one project and the appropriation or use of more than one source of water. Water use permit processing fees and reports required under subdivision 6 and section 103G.281, subdivision 3, are required for each project or water source that is included under a general permit, except that no fee is required for uses totaling less than 15,000,000 gallons annually.

Sec. 70. Minnesota Statutes 2012, section 103G.271, subdivision 4, is amended to read:

Subd. 4. **Minimum use exemption and local approval of low use permits.** (a) Except for local permits under section 103B.211, subdivision 4, a water use permit is not required for the appropriation and use of less than ~~a minimum amount prescribed by the commissioner by rule~~ 10,000 gallons per day and totaling no more than 1,000,000 gallons per year, except as required by the commissioner under section 103G.287, subdivision 4, paragraph (b).

(b) Water use permits for more than the minimum amount but less than an intermediate amount prescribed by rule must be processed and approved at the municipal, county, or regional level based on rules adopted by the commissioner.

(c) The rules must include provisions for reporting to the commissioner the amounts of water appropriated under local permits.

Sec. 71. Minnesota Statutes 2012, section 103G.287, subdivision 1, is amended to read:

Subdivision 1. **Applications for groundwater appropriations; preliminary well construction approval.** (a) Groundwater use permit applications are not complete until the applicant has supplied:

(1) a water well record as required by section 103I.205, subdivision 9, information on the subsurface geologic formations penetrated by the well and the formation or aquifer that will serve as the water source, and geologic information from test holes drilled to locate the site of the production well;

(2) the maximum daily, seasonal, and annual pumpage rates and volumes being requested;

(3) information on groundwater quality in terms of the measures of quality commonly specified for the proposed water use and details on water treatment necessary for the proposed use;

(4) an inventory of existing wells within 1-1/2 miles of the proposed production well or within the area of influence, as determined by the commissioner. The inventory must include information on well locations, depths, geologic formations, depth of the pump or intake, pumping and nonpumping water levels, and details of well construction; ~~and~~

(5) the results of an aquifer test completed according to specifications approved by the commissioner. The test must be conducted at the maximum pumping rate requested in the application and for a length of time adequate to

assess or predict impacts to other wells and surface water and groundwater resources. The permit applicant is responsible for all costs related to the aquifer test, including the construction of groundwater and surface water monitoring installations, and water level readings before, during, and after the aquifer test; and

(6) the results of any assessments conducted by the commissioner under paragraph (c).

(b) The commissioner may waive an application requirement in this subdivision if the information provided with the application is adequate to determine whether the proposed appropriation and use of water is sustainable and will protect ecosystems, water quality, and the ability of future generations to meet their own needs.

(c) The commissioner shall provide an assessment of a proposed well needing a groundwater appropriation permit. The commissioner shall evaluate the information submitted as required under section 103I.205, subdivision 1, paragraph (f), and determine whether the anticipated appropriation request is likely to meet the applicable requirements of this chapter. If the appropriation request is likely to meet applicable requirements, the commissioner shall provide the person submitting the information with a letter providing preliminary approval to construct the well.

Sec. 72. Minnesota Statutes 2012, section 103G.287, subdivision 4, is amended to read:

Subd. 4. **Groundwater management areas.** (a) The commissioner may designate groundwater management areas and limit total annual water appropriations and uses within a designated area to ensure sustainable use of groundwater that protects ecosystems, water quality, and the ability of future generations to meet their own needs. Water appropriations and uses within a designated management area must be consistent with a plan approved by the commissioner that addresses water conservation requirements and water allocation priorities established in section 103G.261.

(b) Notwithstanding section 103G.271, subdivision 1, paragraph (b), and Minnesota Rules, within designated groundwater management areas, the commissioner may require general permits as specified in section 103G.271, subdivision 1, paragraph (c), for water users using less than 10,000 gallons per day or 1,000,000 gallons per year and water suppliers serving less than 25 persons for domestic purposes. The commissioner may waive the requirements under section 103G.281 for general permits issued under this paragraph, and the fee specified in section 103G.301, subdivision 2, paragraph (c), does not apply to general permits issued under this paragraph.

Sec. 73. Minnesota Statutes 2012, section 103G.287, subdivision 5, is amended to read:

Subd. 5. ~~Interference with other wells~~ **Sustainability standard.** The commissioner may issue water use permits for appropriation from groundwater only if the commissioner determines that the groundwater use is sustainable to supply the needs of future generations and the proposed use will not harm ecosystems, degrade water, or reduce water levels beyond the reach of public water supply and private domestic wells constructed according to Minnesota Rules, chapter 4725.

Sec. 74. Minnesota Statutes 2012, section 103I.205, subdivision 1, is amended to read:

Subdivision 1. **Notification required.** (a) Except as provided in paragraphs (d) and (e), a person may not construct a well until a notification of the proposed well on a form prescribed by the commissioner is filed with the commissioner with the filing fee in section 103I.208, and, when applicable, the person has met the requirements of paragraph (f). If after filing the well notification an attempt to construct a well is unsuccessful, a new notification is not required unless the information relating to the successful well has substantially changed.

(b) The property owner, the property owner's agent, or the well contractor where a well is to be located must file the well notification with the commissioner.

(c) The well notification under this subdivision preempts local permits and notifications, and counties or home rule charter or statutory cities may not require a permit or notification for wells unless the commissioner has delegated the permitting or notification authority under section 103I.111.

(d) A person who is an individual that constructs a drive point well on property owned or leased by the individual for farming or agricultural purposes or as the individual's place of abode must notify the commissioner of the installation and location of the well. The person must complete the notification form prescribed by the commissioner and mail it to the commissioner by ten days after the well is completed. A fee may not be charged for the notification. A person who sells drive point wells at retail must provide buyers with notification forms and informational materials including requirements regarding wells, their location, construction, and disclosure. The commissioner must provide the notification forms and informational materials to the sellers.

(e) A person may not construct a monitoring well until a permit is issued by the commissioner for the construction. If after obtaining a permit an attempt to construct a well is unsuccessful, a new permit is not required as long as the initial permit is modified to indicate the location of the successful well.

(f) When the operation of a well will require an appropriation permit from the commissioner of natural resources, a person may not begin construction of the well until the person submits the following information to the commissioner of natural resources:

(1) the location of the well;

(2) the formation or aquifer that will serve as the water source;

(3) the maximum daily, seasonal, and annual pumpage rates and volumes that will be requested in the appropriation permit; and

(4) other information requested by the commissioner of natural resources that is necessary to conduct the preliminary assessment required under section 103G.287, subdivision 1, paragraph (c).

The person may begin construction after receiving preliminary approval from the commissioner of natural resources.

Sec. 75. Minnesota Statutes 2012, section 114D.50, subdivision 4, is amended to read:

Subd. 4. **Expenditures; accountability.** (a) A project receiving funding from the clean water fund must meet or exceed the constitutional requirements to protect, enhance, and restore water quality in lakes, rivers, and streams and to protect groundwater and drinking water from degradation. Priority may be given to projects that meet more than one of these requirements. A project receiving funding from the clean water fund shall include measurable outcomes, as defined in section 3.303, subdivision 10, and a plan for measuring and evaluating the results. A project must be consistent with current science and incorporate state-of-the-art technology.

(b) Money from the clean water fund shall be expended to balance the benefits across all regions and residents of the state.

(c) A state agency or other recipient of a direct appropriation from the clean water fund must compile and submit all information for proposed and funded projects or programs, including the proposed measurable outcomes and all other items required under section 3.303, subdivision 10, to the Legislative Coordinating Commission as soon as practicable or by January 15 of the applicable fiscal year, whichever comes first. The Legislative Coordinating

Commission must post submitted information on the Web site required under section 3.303, subdivision 10, as soon as it becomes available. Information classified as not public under section 13D.05, subdivision 3, paragraph (d), is not required to be placed on the Web site.

(d) Grants funded by the clean water fund must be implemented according to section 16B.98 and must account for all expenditures. Proposals must specify a process for any regrantee envisioned. Priority for grant proposals must be given to proposals involving grants that will be competitively awarded.

(e) Money from the clean water fund may only be spent on projects that benefit Minnesota waters.

(f) When practicable, a direct recipient of an appropriation from the clean water fund shall prominently display on the recipient's Web site home page the legacy logo required under Laws 2009, chapter 172, article 5, section 10, as amended by Laws 2010, chapter 361, article 3, section 5, accompanied by the phrase "Click here for more information." When a person clicks on the legacy logo image, the Web site must direct the person to a Web page that includes both the contact information that a person may use to obtain additional information, as well as a link to the Legislative Coordinating Commission Web site required under section 3.303, subdivision 10.

(g) Future eligibility for money from the clean water fund is contingent upon a state agency or other recipient satisfying all applicable requirements in this section, as well as any additional requirements contained in applicable session law.

(h) Money from the clean water fund may be used to leverage federal funds through execution of formal project partnership agreements with federal agencies consistent with respective federal agency partnership agreement requirements.

Sec. 76. **[115.84] WASTEWATER LABORATORY CERTIFICATION.**

Subdivision 1. Wastewater laboratory certification required. (a) Laboratories performing wastewater or water analytical laboratory work, the results of which are reported to the agency to determine compliance with a national pollutant discharge elimination system (NPDES) or state disposal system (SDS) permit condition or other regulatory document, must be certified according to this section.

(b) This section does not apply to:

(1) laboratories that are private and for-profit;

(2) laboratories that perform drinking water analyses; or

(3) laboratories that perform remediation program analyses, such as Superfund or petroleum analytical work.

(c) Until adoption of rules under subdivision 2, laboratories required to be certified under this section that submit data to the agency must: (1) register with the agency by submitting registration information required by the agency; or (2) be certified or accredited by a recognized authority, such as the commissioner of health under sections 144.97 to 144.99, for the analytical methods required by the agency.

Subd. 2. Rules. The agency may adopt rules to govern certification of laboratories according to this section. Notwithstanding section 16A.1283, the agency may adopt rules establishing fees.

Subd. 3. Fees. (a) Until the agency adopts a rule establishing fees for certification, the agency shall collect fees from laboratories registering with the agency, but not accredited by the commissioner of health under sections 144.97 to 144.99, in amounts necessary to cover the reasonable costs of the certification program, including reviewing applications, issuing certifications, and conducting audits and compliance assistance.



(b) Fees under this section must be based on the number, type, and complexity of analytical methods that laboratories are certified to perform.

(c) Revenue from fees charged by the agency for certification shall be credited to the environmental fund.

Subd. 4. **Enforcement.** (a) The commissioner may deny, suspend, or revoke wastewater laboratory certification for, but is not limited to, any of the following reasons: fraud, failure to follow applicable requirements, failure to respond to documented deficiencies or complete corrective actions necessary to address deficiencies, failure to pay certification fees, or other violations of federal or state law.

(b) This section and the rules adopted under it may be enforced by any means provided in section 115.071.

Sec. 77. Minnesota Statutes 2012, section 115A.1320, subdivision 1, is amended to read:

Subdivision 1. **Duties of the agency.** (a) The agency shall administer sections 115A.1310 to 115A.1330.

(b) The agency shall establish procedures for:

(1) receipt and maintenance of the registration statements and certifications filed with the agency under section 115A.1312; and

(2) making the statements and certifications easily available to manufacturers, retailers, and members of the public.

(c) The agency shall annually review the value of the following variables that are part of the formula used to calculate a manufacturer's annual registration fee under section 115A.1314, subdivision 1:

(1) the proportion of sales of video display devices sold to households that manufacturers are required to recycle;

(2) the estimated per-pound price of recycling covered electronic devices sold to households;

(3) the base registration fee; and

(4) the multiplier established for the weight of covered electronic devices collected in section 115A.1314, subdivision 1, paragraph (d). If the agency determines that any of these values must be changed in order to improve the efficiency or effectiveness of the activities regulated under sections 115A.1312 to 115A.1330, the agency shall submit recommended changes and the reasons for them to the chairs of the senate and house of representatives committees with jurisdiction over solid waste policy.

(d) By January 15 each year, beginning in 2008, the agency shall calculate estimated sales of video display devices sold to households by each manufacturer during the preceding program year, based on national sales data, and forward the estimates to the department.

(e) The agency shall provide a report to the governor and the legislature on the implementation of sections 115A.1310 to 115A.1330. For each program year, the report must discuss the total weight of covered electronic devices recycled and a summary of information in the reports submitted by manufacturers and recyclers under section 115A.1316. The report must also discuss the various collection programs used by manufacturers to collect covered electronic devices; information regarding covered electronic devices that are being collected by persons other than registered manufacturers, collectors, and recyclers; and information about covered electronic devices, if any, being disposed of in landfills in this state. The report must include a description of enforcement actions under

sections 115A.1310 to 115A.1330. The agency may include in its report other information received by the agency regarding the implementation of sections 115A.1312 to 115A.1330. The report must be done in conjunction with the report required under section ~~115D.10~~ 115A.121.

(f) The agency shall promote public participation in the activities regulated under sections 115A.1312 to 115A.1330 through public education and outreach efforts.

(g) The agency shall enforce sections 115A.1310 to 115A.1330 in the manner provided by sections 115.071, subdivisions 1, 3, 4, 5, and 6; and 116.072, except for those provisions enforced by the department, as provided in subdivision 2. The agency may revoke a registration of a collector or recycler found to have violated sections 115A.1310 to 115A.1330.

(h) The agency shall facilitate communication between counties, collection and recycling centers, and manufacturers to ensure that manufacturers are aware of video display devices available for recycling.

(i) The agency shall develop a form retailers must use to report information to manufacturers under section 115A.1318 and post it on the agency's Web site.

(j) The agency shall post on its Web site the contact information provided by each manufacturer under section 115A.1318, paragraph (e).

Sec. 78. **[115A.1415] ARCHITECTURAL PAINT; PRODUCT STEWARDSHIP PROGRAM; STEWARDSHIP PLAN.**

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

(1) "architectural paint" means interior and exterior architectural coatings sold in containers of five gallons or less. Architectural paint does not include industrial coatings, original equipment coatings, or specialty coatings;

(2) "brand" means a name, symbol, word, or mark that identifies architectural paint, rather than its components, and attributes the paint to the owner or licensee of the brand as the producer;

(3) "discarded paint" means architectural paint that is no longer used for its manufactured purpose;

(4) "producer" means a person that:

(i) has legal ownership of the brand, brand name, or cobrand of architectural paint sold in the state;

(ii) imports architectural paint branded by a producer that meets subclause (i) when the producer has no physical presence in the United States;

(iii) if subclauses (i) and (ii) do not apply, makes unbranded architectural paint that is sold in the state; or

(iv) sells architectural paint at wholesale or retail, does not have legal ownership of the brand, and elects to fulfill the responsibilities of the producer for the architectural paint by certifying that election in writing to the commissioner;

(5) "recycling" means the process of collecting and preparing recyclable materials and reusing the materials in their original form or using them in manufacturing processes that do not cause the destruction of recyclable materials in a manner that precludes further use;

(6) "retailer" means any person who offers architectural paint for sale at retail in the state;

(7) "reuse" means donating or selling collected architectural paint back into the market for its original intended use, when the architectural paint retains its original purpose and performance characteristics;

(8) "sale" or "sell" means transfer of title of architectural paint for consideration, including a remote sale conducted through a sales outlet, catalog, Web site, or similar electronic means. Sale or sell includes a lease through which architectural paint is provided to a consumer by a producer, wholesaler, or retailer;

(9) "stewardship assessment" means the amount added to the purchase price of architectural paint sold in the state that is necessary to cover the cost of collecting, transporting, and processing postconsumer architectural paint by the producer or stewardship organization pursuant to a product stewardship program;

(10) "stewardship organization" means an organization appointed by one or more producers to act as an agent on behalf of the producer to design, submit, and administer a product stewardship program under this section; and

(11) "stewardship plan" means a detailed plan describing the manner in which a product stewardship program under subdivision 2 will be implemented.

Subd. 2. **Product stewardship program.** For architectural paint sold in the state, producers must, individually or through a stewardship organization, implement and finance a statewide product stewardship program that manages the architectural paint by reducing the paint's waste generation, promoting its reuse and recycling, and providing for negotiation and execution of agreements to collect, transport, and process the architectural paint for end-of-life recycling and reuse.

Subd. 3. **Requirement for sale.** (a) On and after July 1, 2014, or three months after program plan approval, whichever is sooner, no producer, wholesaler, or retailer may sell or offer for sale in the state architectural paint unless the paint's producer participates in an approved stewardship plan, either individually or through a stewardship organization.

(b) Each producer must operate a product stewardship program approved by the agency or enter into an agreement with a stewardship organization to operate, on the producer's behalf, a product stewardship program approved by the agency.

Subd. 4. **Requirement to submit plan.** (a) On or before March 1, 2014, and before offering architectural paint for sale in the state, a producer must submit a stewardship plan to the agency and receive approval of the plan or must submit documentation to the agency that demonstrates the producer has entered into an agreement with a stewardship organization to be an active participant in an approved product stewardship program as described in subdivision 2. A stewardship plan must include all elements required under subdivision 5.

(b) An amendment to the plan, if determined necessary by the commissioner, must be submitted every five years.

(c) It is the responsibility of the entities responsible for each stewardship plan to notify the agency within 30 days of any significant changes or modifications to the plan or its implementation. Within 30 days of the notification, a written plan revision must be submitted to the agency for review and approval.

Subd. 5. **Stewardship plan content.** A stewardship plan must contain:

(1) certification that the product stewardship program will accept all discarded paint regardless of which producer produced the architectural paint and its individual components;

(2) contact information for the individual and the entity submitting the plan, a list of all producers participating in the product stewardship program, and the brands covered by the product stewardship program;

(3) a description of the methods by which the discarded paint will be collected in all areas in the state without relying on end-of-life fees, including an explanation of how the collection system will be convenient and adequate to serve the needs of small businesses and residents in both urban and rural areas on an ongoing basis and a discussion of how the existing household hazardous waste infrastructure will be considered when selecting collection sites;

(4) a description of how the adequacy of the collection program will be monitored and maintained;

(5) the names and locations of collectors, transporters, and recyclers that will manage discarded paint;

(6) a description of how the discarded paint and the paint's components will be safely and securely transported, tracked, and handled from collection through final recycling and processing;

(7) a description of the method that will be used to reuse, deconstruct, or recycle the discarded paint to ensure that the paint's components, to the extent feasible, are transformed or remanufactured into finished products for use;

(8) a description of the promotion and outreach activities that will be used to encourage participation in the collection and recycling programs and how the activities' effectiveness will be evaluated and the program modified, if necessary;

(9) the proposed stewardship assessment. The producer or stewardship organization shall propose a uniform stewardship assessment for any architectural paint sold in the state. The proposed stewardship assessment shall be reviewed by an independent auditor to ensure that the assessment does not exceed the costs of the product stewardship program and the independent auditor shall recommend an amount for the stewardship assessment. The agency must approve the stewardship assessment;

(10) evidence of adequate insurance and financial assurance that may be required for collection, handling, and disposal operations;

(11) five-year performance goals, including an estimate of the percentage of discarded paint that will be collected, reused, and recycled during each of the first five years of the stewardship plan. The performance goals must include a specific goal for the amount of discarded paint that will be collected and recycled and reused during each year of the plan. The performance goals must be based on:

(i) the most recent collection data available for the state;

(ii) the estimated amount of architectural paint disposed of annually;

(iii) the weight of the architectural paint that is expected to be available for collection annually; and

(iv) actual collection data from other existing stewardship programs.

The stewardship plan must state the methodology used to determine these goals; and

(12) a discussion of the status of end markets for collected architectural paint and what, if any, additional end markets are needed to improve the functioning of the program.

Subd. 6. **Consultation required.** Each stewardship organization or individual producer submitting a stewardship plan must consult with stakeholders including retailers, contractors, collectors, recyclers, local government, and customers during the development of the plan.

Subd. 7. **Agency review and approval.** (a) Within 90 days after receipt of a proposed stewardship plan, the agency shall determine whether the plan complies with subdivision 4. If the agency approves a plan, the agency shall notify the applicant of the plan approval in writing. If the agency rejects a plan, the agency shall notify the applicant in writing of the reasons for rejecting the plan. An applicant whose plan is rejected by the agency must submit a revised plan to the agency within 60 days after receiving notice of rejection.

(b) Any proposed changes to a stewardship plan must be approved by the agency in writing.

Subd. 8. **Plan availability.** All draft and approved stewardship plans shall be placed on the agency's Web site for at least 30 days and made available at the agency's headquarters for public review and comment.

Subd. 9. **Conduct authorized.** A producer or stewardship organization that organizes collection, transport, and processing of architectural paint under this section is immune from liability for the conduct under state laws relating to antitrust, restraint of trade, unfair trade practices, and other regulation of trade or commerce only to the extent that the conduct is necessary to plan and implement the producer's or organization's chosen organized collection or recycling system.

Subd. 10. **Responsibility of producers.** (a) On and after the date of implementation of a product stewardship program according to this section, a producer of architectural paint must add the stewardship assessment, as established under subdivision 5, clause (9), to the cost of architectural paint sold to retailers and distributors in the state by the producer.

(b) Producers of architectural paint or the stewardship organization shall provide consumers with educational materials regarding the stewardship assessment and product stewardship program. The materials must include, but are not limited to, information regarding available end-of-life management options for architectural paint offered through the product stewardship program and information that notifies consumers that a charge for the operation of the product stewardship program is included in the purchase price of architectural paint sold in the state.

Subd. 11. **Responsibility of retailers.** (a) On and after July 1, 2014, or three months after program plan approval, whichever is sooner, no architectural paint may be sold in the state unless the paint's producer is participating in an approved stewardship plan.

(b) On and after the implementation date of a product stewardship program according to this section, each retailer or distributor, as applicable, must ensure that the full amount of the stewardship assessment added to the cost of architectural paint by producers under subdivision 10 is included in the purchase price of all architectural paint sold in the state.

(c) Any retailer may participate, on a voluntary basis, as a designated collection point pursuant to a product stewardship program under this section and in accordance with applicable law.

(d) No retailer or distributor shall be found to be in violation of this subdivision if, on the date the architectural paint was ordered from the producer or its agent, the producer was listed as compliant on the agency's Web site according to subdivision 14.

Subd. 12. **Stewardship reports.** Beginning October 1, 2015, producers of architectural paint sold in the state must individually or through a stewardship organization submit an annual report to the agency describing the product stewardship program. At a minimum, the report must contain:

(1) a description of the methods used to collect, transport, and process architectural paint in all regions of the state;

(2) the weight of all architectural paint collected in all regions of the state and a comparison to the performance goals and recycling rates established in the stewardship plan;

(3) the amount of unwanted architectural paint collected in the state by method of disposition, including reuse, recycling, and other methods of processing;

(4) samples of educational materials provided to consumers and an evaluation of the effectiveness of the materials and the methods used to disseminate the materials; and

(5) an independent financial audit.

Subd. 13. **Data classification.** Trade secret and sales information, as defined under section 13.37, submitted to the agency under this section are private or nonpublic data under section 13.37.

Subd. 14. **Agency responsibilities.** The agency shall provide, on its Web site, a list of all compliant producers and brands participating in stewardship plans that the agency has approved and a list of all producers and brands the agency has identified as noncompliant with this section.

Subd. 15. **Local government responsibilities.** (a) A city, county, or other public agency may choose to participate voluntarily in a product stewardship program.

(b) Cities, counties, and other public agencies are encouraged to work with producers and stewardship organizations to assist in meeting product stewardship program reuse and recycling obligations, by providing education and outreach or using other strategies.

(c) A city, county, or other public agency that participates in a product stewardship program must report for the first year of the program to the agency using the reporting form provided by the agency on the cost savings as a result of participation and describe how the savings were used.

Subd. 16. **Administrative fee.** (a) The stewardship organization or individual producer submitting a stewardship plan shall pay an annual administrative fee to the commissioner. The agency may establish a variable fee based on relevant factors, including, but not limited to, the portion of architectural paint sold in the state by members of the organization compared to the total amount of architectural paint sold in the state by all organizations submitting a stewardship plan.

(b) Prior to July 1, 2014, and before July 1 annually thereafter, the agency shall identify the costs it incurs under this section. The agency shall set the fee at an amount that, when paid by every stewardship organization or individual producer that submits a stewardship plan, is adequate to reimburse the agency's full costs of administering this section. The total amount of annual fees collected under this subdivision must not exceed the amount necessary to reimburse costs incurred by the agency to administer this section.

(c) A stewardship organization or individual producer subject to this subdivision must pay the agency's administrative fee under paragraph (a) on or before July 1, 2014 and annually thereafter. Each year after the initial payment, the annual administrative fee may not exceed five percent of the aggregate stewardship assessment added to the cost of all architectural paint sold by producers in the state for the preceding calendar year.

(d) All fees received under this section shall be deposited to the state treasury and credited to a product stewardship account in the special revenue fund. For fiscal years 2014 and 2015, the amount collected under this section is annually appropriated to the agency to implement and enforce this section.

Sec. 79. **115A.142 REPORT TO LEGISLATURE AND GOVERNOR.**

As part of the report required under section 115A.121, the commissioner of the Pollution Control Agency shall provide a report to the governor and the legislature on the implementation of section 115A.1415.

Sec. 80. Minnesota Statutes 2012, section 115B.20, subdivision 6, is amended to read:

Subd. 6. **Report to legislature.** ~~Each year~~ By January 31 of each odd-numbered year, the commissioner of agriculture and the agency shall submit to the senate Finance Committee, the house of representatives Ways and Means Committee, the Environment and Natural Resources Committees of the senate and house of representatives, the Finance Division of the senate Committee on Environment and Natural Resources, and the house of representatives Committee on Environment and Natural Resources Finance, and the Environmental Quality Board a report detailing the activities for which money has been spent pursuant to this section during the previous fiscal year.

**EFFECTIVE DATE.** This section is effective July 1, 2013.

Sec. 81. Minnesota Statutes 2012, section 115B.28, subdivision 1, is amended to read:

Subdivision 1. **Duties.** In addition to performing duties specified in sections 115B.25 to 115B.37 or in other law, and subject to the limitations on disclosure contained in section 115B.35, the agency shall:

(1) adopt rules, including rules governing practice and procedure before the agency, the form and procedure for applications for compensation, and procedures for claims investigations;

(2) publicize the availability of compensation and application procedures on a statewide basis with special emphasis on geographical areas surrounding sites identified by the agency as having releases from a facility where a harmful substance was placed or came to be located prior to July 1, 1983;

(3) collect, analyze, and make available to the public, in consultation with the Department of Health, the Pollution Control Agency, the University of Minnesota Medical and Public Health Schools, and the medical community, data regarding injuries relating to exposure to harmful substances; and

(4) prepare and transmit ~~by December 31 of each year to the governor and the legislature an annual~~ legislative report required under section 115B.20, subdivision 6, to include (i) a summary of agency activity under clause (3); (ii) data determined by the agency from actual cases, including but not limited to number of cases, actual compensation received by each claimant, types of cases, and types of injuries compensated, as they relate to types of harmful substances as well as length of exposure, but excluding identification of the claimants; (iii) all administrative costs associated with the business of the agency; and (iv) agency recommendations for legislative changes, further study, or any other recommendation aimed at improving the system of compensation.

Sec. 82. Minnesota Statutes 2012, section 115B.421, is amended to read:

**115B.421 CLOSED LANDFILL INVESTMENT FUND.**

The closed landfill investment fund is established in the state treasury. The fund consists of money credited to the fund, and interest and other earnings on money in the fund. ~~The commissioner of management and budget shall transfer an initial amount of \$5,100,000 from the balance in the solid waste fund beginning in fiscal year 2000 and shall continue to transfer \$5,100,000 for each following fiscal year, ceasing after 2003.~~ Beginning July 1, 2003, funds must be deposited as described in section 115B.445. The fund shall be managed to maximize long-term gain through the State Board of Investment. Money in the fund may be spent by the commissioner after fiscal year 2020 in accordance with sections 115B.39 to 115B.444.

Sec. 83. Minnesota Statutes 2012, section 115C.02, subdivision 4, is amended to read:

Subd. 4. **Corrective action.** "Corrective action" means an action taken to minimize, eliminate, or clean up a release to protect the public health and welfare or the environment. Corrective action may include, environmental covenants pursuant to chapter 114E, an affidavit required under section 116.48, subdivision 6, or similar notice of a release recorded with real property records.

Sec. 84. Minnesota Statutes 2012, section 115C.08, subdivision 4, is amended to read:

Subd. 4. **Expenditures.** (a) Money in the fund may only be spent:

- (1) to administer the petroleum tank release cleanup program established in this chapter;
- (2) for agency administrative costs under sections 116.46 to 116.50, sections 115C.03 to 115C.06, and costs of corrective action taken by the agency under section 115C.03, including investigations;
- (3) for costs of recovering expenses of corrective actions under section 115C.04;
- (4) for training, certification, and rulemaking under sections 116.46 to 116.50;
- (5) for agency administrative costs of enforcing rules governing the construction, installation, operation, and closure of aboveground and underground petroleum storage tanks;
- (6) for reimbursement of the environmental response, compensation, and compliance account under subdivision 5 and section 115B.26, subdivision 4;
- (7) for administrative and staff costs as set by the board to administer the petroleum tank release program established in this chapter;
- (8) for corrective action performance audits under section 115C.093;
- (9) for contamination cleanup grants, as provided in paragraph (c);
- (10) to assess and remove abandoned underground storage tanks under section 115C.094 and, if a release is discovered, to pay for the specific consultant and contractor services costs necessary to complete the tank removal project, including, but not limited to, excavation soil sampling, groundwater sampling, soil disposal, and completion of an excavation report; and
- (11) ~~for property acquisition by the agency when the agency has determined that purchasing a property where a release has occurred is the most appropriate corrective action.~~ to acquire interests in real or personal property, including easements, environmental covenants under chapter 114E, and leases, that the agency determines are necessary for corrective actions or to ensure the protectiveness of corrective actions. A donation of an interest in



real property to the agency is not effective until the agency executes a certificate of acceptance. The state is not liable under this chapter solely as a result of acquiring an interest in real property under this clause. Agency approval of an environmental covenant under chapter 114E is sufficient evidence of acceptance of an interest in real property when the agency is expressly identified as a holder in the covenant. Acquisition of ~~all properties~~ real property under this clause, except environmental covenants under chapter 114E, is subject to approval by the board.

(b) Except as provided in paragraph (c), money in the fund is appropriated to the board to make reimbursements or payments under this section.

(c) In fiscal years 2010 and 2011, \$3,700,000 is annually appropriated from the fund to the commissioner of employment and economic development for contamination cleanup grants under section 116J.554. Beginning in fiscal year 2012 and each year thereafter, \$6,200,000 is annually appropriated from the fund to the commissioner of employment and economic development for contamination cleanup grants under section 116J.554. Of this amount, the commissioner may spend up to \$225,000 annually for administration of the contamination cleanup grant program. The appropriation does not cancel and is available until expended. The appropriation shall not be withdrawn from the fund nor the fund balance reduced until the funds are requested by the commissioner of employment and economic development. The commissioner shall schedule requests for withdrawals from the fund to minimize the necessity to impose the fee authorized by subdivision 2. Unless otherwise provided, the appropriation in this paragraph may be used for:

(1) project costs at a qualifying site if a portion of the cleanup costs are attributable to petroleum contamination or new and used tar and tar-like substances, including but not limited to bitumen and asphalt, but excluding bituminous or asphalt pavement, that consist primarily of hydrocarbons and are found in natural deposits in the earth or are distillates, fractions, or residues from the processing of petroleum crude or petroleum products as defined in section 296A.01; and

(2) the costs of performing contamination investigation if there is a reasonable basis to suspect the contamination is attributable to petroleum or new and used tar and tar-like substances, including but not limited to bitumen and asphalt, but excluding bituminous or asphalt pavement, that consist primarily of hydrocarbons and are found in natural deposits in the earth or are distillates, fractions, or residues from the processing of petroleum crude or petroleum products as defined in section 296A.01.

Sec. 85. Minnesota Statutes 2012, section 115C.08, is amended by adding a subdivision to read:

**Subd. 6. Disposition of property acquired for corrective action.** (a) If the commissioner determines that real or personal property acquired by the agency for a corrective action is no longer needed for corrective action purposes, the commissioner may:

(1) request the commissioner of administration to dispose of the property according to sections 16B.281 to 16B.287, subject to conditions the commissioner of the Pollution Control Agency determines necessary to protect the public health and welfare and the environment or to comply with federal law;

(2) transfer the property to another state agency, a political subdivision, or a special purpose district as provided in paragraph (b); or

(3) if required by federal law, take actions and dispose of the property according to federal law.

(b) If the commissioner determines that real or personal property acquired by the agency for a corrective action must be operated, maintained, or monitored after completion of other phases of the corrective action, the commissioner may transfer ownership of the property to another state agency, a political subdivision, or a special purpose district that agrees to accept the property. A state agency, political subdivision, or special purpose district

may accept and implement terms and conditions of a transfer under this paragraph. The commissioner may set terms and conditions for the transfer that the commissioner considers reasonable and necessary to ensure proper operation, maintenance, and monitoring of corrective actions; protect the public health and welfare and the environment; and comply with applicable federal and state laws and regulations. The state agency, political subdivision, or special purpose district to which the property is transferred is not liable under this chapter solely as a result of acquiring the property or acting in accordance with the terms and conditions of transfer.

(c) The commissioner of administration may charge the agency for actual staff and other costs related to disposal of the property under paragraph (a), clause (1). The net proceeds of a sale or other transfer of property under this subdivision by the commissioner or by the commissioner of administration shall be deposited in the petroleum tank fund or other appropriate fund. Any share of the proceeds that the agency is required by federal law or regulation to reimburse to the federal government is appropriated from the fund to the agency for the purpose. Section 16B.287, subdivision 1, does not apply to real property that is sold by the commissioner of administration and that was acquired under subdivision 4, clause (11).

Sec. 86. Minnesota Statutes 2012, section 115D.10, is amended to read:

#### **115D.10 TOXIC POLLUTION PREVENTION EVALUATION REPORT.**

The commissioner, in cooperation with the commission, shall report to the Environment and Natural Resources Committees of the senate and house of representatives, the Finance Division of the senate Committee on Environment and Natural Resources, and the house of representatives Committee on Environment and Natural Resources Finance on progress being made in achieving the objectives of sections 115D.01 to 115D.12. The report must be ~~submitted by February 1 of each even numbered year~~ done in conjunction with the report required under section 115A.121.

Sec. 87. Minnesota Statutes 2012, section 116.48, subdivision 6, is amended to read:

Subd. 6. **Affidavit.** (a) Before transferring ownership of property that the owner knows contains an underground or aboveground storage tank or contained an underground or aboveground storage tank that had a release for which no corrective action was taken or if required by the agency as a condition of a corrective action under chapter 115C, the owner shall record with the county recorder or registrar of titles of the county in which the property is located an affidavit containing:

- (1) a legal description of the property where the tank is located;
- (2) a description of the tank, of the location of the tank, and of any known release from the tank of a regulated substance to the full extent known or reasonably ascertainable;
- (3) a description of any restrictions currently in force on the use of the property resulting from any release; and
- (4) the name of the owner.

(b) The county recorder shall record the affidavits in a manner that will insure their disclosure in the ordinary course of a title search of the subject property. Before transferring ownership of property that the owner knows contains an underground or aboveground storage tank, the owner shall deliver to the purchaser a copy of the affidavit and any additional information necessary to make the facts in the affidavit accurate as of the date of transfer of ownership.

(c) Failure to record an affidavit as provided in this subdivision does not affect or prevent any transfer of ownership of the property.

Sec. 88. Minnesota Statutes 2012, section 116C.03, subdivision 2, is amended to read:

Subd. 2. **Membership.** The members of the board are the ~~director of the Office of Strategic and Long Range Planning~~ commissioner of administration, the commissioner of commerce, the commissioner of the Pollution Control Agency, the commissioner of natural resources, the commissioner of agriculture, the commissioner of health, the commissioner of employment and economic development, the commissioner of transportation, the chair of the Board of Water and Soil Resources, and a representative of the governor's office designated by the governor. The governor shall appoint five members from the general public to the board, subject to the advice and consent of the senate. At least two of the five public members must have knowledge of and be conversant in water management issues in the state. Notwithstanding the provisions of section 15.06, subdivision 6, members of the board may not delegate their powers and responsibilities as board members to any other person.

Sec. 89. Minnesota Statutes 2012, section 116C.03, subdivision 4, is amended to read:

Subd. 4. **Support.** Staff and consultant support for board activities shall be provided by the ~~Office of Strategic and Long Range Planning~~ Pollution Control Agency. This support shall be provided based upon an annual budget and work program developed by the board and certified to the commissioner by the chair of the board. The board shall have the authority to request and require staff support from all other agencies of state government as needed for the execution of the responsibilities of the board.

Sec. 90. Minnesota Statutes 2012, section 116C.03, subdivision 5, is amended to read:

Subd. 5. **Administration.** The board shall contract with the ~~Office of Strategic and Long Range Planning~~ Pollution Control Agency for administrative services necessary to the board's activities. The services shall include personnel, budget, payroll and contract administration.

Sec. 91. **[116C.99] SILICA SAND MINING MODEL STANDARDS AND CRITERIA.**

Subdivision 1. **Definitions.** The definitions in this subdivision apply to sections 116C.99 to 116C.992.

(a) "Local unit of government" means a county, statutory or home rule charter city, or town.

(b) "Mining" means excavating silica sand by any process, including digging, excavating, drilling, blasting, tunneling, dredging, stripping, or by shaft.

(c) "Processing" means washing, cleaning, screening, crushing, filtering, sorting, processing, stockpiling, and storing silica sand, either at the mining site or at any other site.

(d) "Silica sand" means well-rounded, sand-sized grains of quartz (silicon dioxide), with very little impurities in terms of other minerals. Specifically, the silica sand for the purposes of this section is commercially valuable for use in the hydraulic fracturing of shale to obtain oil and natural gas. Silica sand does not include common rock, stone, aggregate, gravel, sand with a low quartz level, or silica compounds recovered as a by-product of metallic mining.

(e) "Silica sand project" means the excavation and mining and processing of silica sand; the washing, cleaning, screening, crushing, filtering, drying, sorting, stockpiling, and storing of silica sand, either at the mining site or at any other site; the hauling and transporting of silica sand; or a facility for transporting silica sand to destinations by rail, barge, truck, or other means of transportation.

(f) "Temporary storage" means the storage of stock piles of silica sand that have been transported and await further transport.

(g) "Transporting" means hauling and transporting silica sand, by any carrier:

(1) from the mining site to a processing or transfer site; or

(2) from a processing or storage site to a rail, barge, or transfer site for transporting to destinations.

Subd. 2. **Standards and criteria.** (a) By October 1, 2013, the Environmental Quality Board, in consultation with local units of government, shall develop model standards and criteria for mining, processing, and transporting silica sand. These standards and criteria may be used by local units of government in developing local ordinances. The standards and criteria shall be different for different geographic areas of the state. The unique karst conditions and landforms of southeastern Minnesota shall be considered unique when compared with the flat scoured river terraces and uniform hydrology of the Minnesota Valley. The standards and criteria developed shall reflect those differences in varying regions of the state. The standards and criteria must include:

(1) recommendations for setbacks or buffers for mining operation and processing, including:

(i) any residence or residential zoning district boundary;

(ii) any property line or right-of-way line of any existing or proposed street or highway;

(iii) ordinary high water levels of public waters;

(iv) bluffs;

(v) designated trout streams, Class 2A water as designated in the rules of the Pollution Control Agency, or any perennially flowing tributary of a designated trout stream or Class 2A water;

(vi) calcareous fens;

(vii) wellhead protection areas as defined in section 103I.005;

(viii) critical natural habitat acquired by the commissioner of natural resources under section 84.944; and

(ix) a natural resource easement paid wholly or in part by public funds;

(2) standards for hours of operation;

(3) groundwater and surface water quality and quantity monitoring and mitigation plan requirements, including:

(i) applicable groundwater and surface water appropriation permit requirements;

(ii) well sealing requirements;

(iii) annual submission of monitoring well data; and

(iv) storm water runoff rate limits not to exceed two-, ten-, and 100-year storm events;

(4) air monitoring and data submission requirements;

(5) dust control requirements;

(6) noise testing and mitigation plan requirements;

- (7) blast monitoring plan requirements;
- (8) lighting requirements;
- (9) inspection requirements;
- (10) containment requirements for silica sand in temporary storage to protect air and water quality;
- (11) containment requirements for chemicals used in processing;
- (12) financial assurance requirements;
- (13) road and bridge impacts and requirements; and
- (14) reclamation plan requirements as required under the rules adopted by the commissioner of natural resources.

Subd. 3. **Silica sand technical assistance team.** By October 1, 2013, the Environmental Quality Board shall assemble a silica sand technical assistance team to provide local units of government, at their request, with assistance with ordinance development, zoning, environmental review and permitting, monitoring, or other issues arising from silica sand mining and processing operations. The technical assistance team may be chosen from representatives of the following entities: the Department of Natural Resources, the Pollution Control Agency, the Board of Water and Soil Resources, the Department of Health, the Department of Transportation, the University of Minnesota, the Minnesota State Colleges and Universities, and federal agencies. A majority of the members must be from a state agency and all members must have expertise in one or more of the following areas: silica sand mining, hydrology, air quality, water quality, land use, or other areas related to silica sand mining.

Subd. 4. **Consideration of technical assistance team recommendations.** (a) When the technical assistance team, at the request of the local unit of government, assembles findings or makes a recommendation related to a proposed silica sand project for the protection of human health and the environment, a local government unit must consider the findings or recommendations of the technical assistance team in its approval or denial of a silica sand project. If the local government unit does not agree with the technical assistance team's findings and recommendations, the detailed reasons for the disagreement must be part of the local government unit's record of decision.

(b) Silica sand project proposers must cooperate in providing local government unit staff, and members of the technical assistance team with information regarding the project.

(c) When a local unit of government requests assistance from the silica sand technical assistance team for environmental review or permitting of a silica sand project the local unit of government may assess the project proposer for reasonable costs of the assistance and use the funds received to reimburse the entity providing that assistance.

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

Sec. 92. **[116C.991] ENVIRONMENTAL REVIEW; SILICA SAND PROJECTS.**

(a) Until two years after the effective date of this section, an environmental assessment worksheet must be prepared for any silica sand project that meets or exceeds the following thresholds, unless the project meets or exceeds the thresholds for an environmental impact statement under rules of the Environmental Quality Board and an environmental impact statement must be prepared:

(1) excavates 20 or more acres of land to a mean depth of ten feet or more during its existence. The local government is the responsible governmental unit; or

(2) is designed to store or is capable of storing more than 7,500 tons of silica sand or has an annual throughput of more than 200,000 tons of silica sand and is not required to receive a permit from the Pollution Control Agency. The Pollution Control Agency is the responsible governmental unit.

(b) In addition to the contents required under statute and rule, an environmental assessment worksheet completed according to this section must include:

(1) a hydrogeologic investigation assessing potential groundwater and surface water effects and geologic conditions that could create an increased risk of potentially significant effects on groundwater and surface water;

(2) for a project with the potential to require a groundwater appropriation permit from the commissioner of natural resources, an assessment of the water resources available for appropriation;

(3) an air quality impact assessment that includes an assessment of the potential effects from airborne particulates and dust;

(4) a traffic impact analysis, including documentation of existing transportation systems, analysis of the potential effects of the project on transportation, and mitigation measures to eliminate or minimize adverse impacts;

(5) an assessment of compatibility of the project with other existing uses; and

(6) mitigation measures that could eliminate or minimize any adverse environmental effects for the project.

**EFFECTIVE DATE.** This section is effective July 1, 2013, and no permit for a silica sand project subject to this section may be approved after that date unless the required environmental review has been completed.

Sec. 93. **[116C.992] TECHNICAL ASSISTANCE, ORDINANCE, AND PERMIT LIBRARY.**

By October 1, 2013, the Environmental Quality Board, in consultation with local units of government, shall create and maintain a library on local government ordinances and local government permits that have been approved for regulation of silica sand projects for reference by local governments.

Sec. 94. Minnesota Statutes 2012, section 116D.04, is amended by adding a subdivision to read:

Subd. 16. **Groundwater; environmental assessment worksheets.** When an environmental assessment worksheet is required for a proposed action that has the potential to require a groundwater appropriation permit from the commissioner of natural resources, the board shall require that the environmental assessment worksheet include an assessment of the water resources available for appropriation.

Sec. 95. Minnesota Statutes 2012, section 282.04, subdivision 1, is amended to read:

Subdivision 1. **Timber sales; land leases and uses.** (a) The county auditor, with terms and conditions set by the county board, may sell timber upon any tract that may be approved by the natural resources commissioner. The sale of timber shall be made for cash at not less than the appraised value determined by the county board to the highest bidder after not less than one week's published notice in an official paper within the county. Any timber offered at the public sale and not sold may thereafter be sold at private sale by the county auditor at not less than the appraised value thereof, until the time as the county board may withdraw the timber from sale. The appraised value of the timber and the forestry practices to be followed in the cutting of said timber shall be approved by the commissioner of natural resources.

(b) Payment of the full sale price of all timber sold on tax-forfeited lands shall be made in cash at the time of the timber sale, except in the case of oral or sealed bid auction sales, the down payment shall be no less than 15 percent of the appraised value, and the balance shall be paid prior to entry. In the case of auction sales that are partitioned and sold as a single sale with predetermined cutting blocks, the down payment shall be no less than 15 percent of the appraised price of the entire timber sale which may be held until the satisfactory completion of the sale or applied in whole or in part to the final cutting block. The value of each separate block must be paid in full before any cutting may begin in that block. With the permission of the county contract administrator the purchaser may enter unpaid blocks and cut necessary timber incidental to developing logging roads as may be needed to log other blocks provided that no timber may be removed from an unpaid block until separately scaled and paid for. If payment is provided as specified in this paragraph as security under paragraph (a) and no cutting has taken place on the contract, the county auditor may credit the security provided, less any down payment required for an auction sale under this paragraph, to any other contract issued to the contract holder by the county under this chapter to which the contract holder requests in writing that it be credited, provided the request and transfer is made within the same calendar year as the security was received.

(c) The county board may sell any timber, including biomass, as appraised or scaled. Any parcels of land from which timber is to be sold by scale of cut products shall be so designated in the published notice of sale under paragraph (a), in which case the notice shall contain a description of the parcels, a statement of the estimated quantity of each species of timber, and the appraised price of each species of timber for 1,000 feet, per cord or per piece, as the case may be. In those cases any bids offered over and above the appraised prices shall be by percentage, the percent bid to be added to the appraised price of each of the different species of timber advertised on the land. The purchaser of timber from the parcels shall pay in cash at the time of sale at the rate bid for all of the timber shown in the notice of sale as estimated to be standing on the land, and in addition shall pay at the same rate for any additional amounts which the final scale shows to have been cut or was available for cutting on the land at the time of sale under the terms of the sale. Where the final scale of cut products shows that less timber was cut or was available for cutting under terms of the sale than was originally paid for, the excess payment shall be refunded from the forfeited tax sale fund upon the claim of the purchaser, to be audited and allowed by the county board as in case of other claims against the county. No timber, except hardwood pulpwood, may be removed from the parcels of land or other designated landings until scaled by a person or persons designated by the county board and approved by the commissioner of natural resources. Landings other than the parcel of land from which timber is cut may be designated for scaling by the county board by written agreement with the purchaser of the timber. The county board may, by written agreement with the purchaser and with a consumer designated by the purchaser when the timber is sold by the county auditor, and with the approval of the commissioner of natural resources, accept the consumer's scale of cut products delivered at the consumer's landing. No timber shall be removed until fully paid for in cash. Small amounts of timber not exceeding \$3,000 in appraised valuation may be sold for not less than the full appraised value at private sale to individual persons without first publishing notice of sale or calling for bids, provided that in case of a sale involving a total appraised value of more than \$200 the sale shall be made subject to final settlement on the basis of a scale of cut products in the manner above provided and not more than two of the sales, directly or indirectly to any individual shall be in effect at one time.

(d) As directed by the county board, the county auditor may lease tax-forfeited land to individuals, corporations or organized subdivisions of the state at public or private sale, and at the prices and under the terms as the county board

may prescribe, for use as cottage and camp sites and for agricultural purposes and for the purpose of taking and removing of hay, stumps, sand, gravel, clay, rock, marl, and black dirt from the land, and for garden sites and other temporary uses provided that no leases shall be for a period to exceed ten years; provided, further that any leases involving a consideration of more than \$12,000 per year, except to an organized subdivision of the state shall first be offered at public sale in the manner provided herein for sale of timber. Upon the sale of any leased land, it shall remain subject to the lease for not to exceed one year from the beginning of the term of the lease. Any rent paid by the lessee for the portion of the term cut off by the cancellation shall be refunded from the forfeited tax sale fund upon the claim of the lessee, to be audited and allowed by the county board as in case of other claims against the county.

(e) As directed by the county board, the county auditor may lease tax-forfeited land to individuals, corporations, or organized subdivisions of the state at public or private sale, at the prices and under the terms as the county board may prescribe, for the purpose of taking and removing for use for road construction and other purposes tax-forfeited stockpiled iron-bearing material. The county auditor must determine that the material is needed and suitable for use in the construction or maintenance of a road, tailings basin, settling basin, dike, dam, bank fill, or other works on public or private property, and that the use would be in the best interests of the public. No lease shall exceed ten years. The use of a stockpile for these purposes must first be approved by the commissioner of natural resources. The request shall be deemed approved unless the requesting county is notified to the contrary by the commissioner of natural resources within six months after receipt of a request for approval for use of a stockpile. Once use of a stockpile has been approved, the county may continue to lease it for these purposes until approval is withdrawn by the commissioner of natural resources.

(f) The county auditor, with the approval of the county board is authorized to grant permits, licenses, and leases to tax-forfeited lands for the depositing of stripping, lean ores, tailings, or waste products from mines or ore milling plants, or to use for facilities needed to recover iron-bearing oxides from tailings basins or stockpiles, or for a buffer area needed for a mining operation, upon the conditions and for the consideration and for the period of time, not exceeding 25 years, as the county board may determine. The permits, licenses, or leases are subject to approval by the commissioner of natural resources.

(g) Any person who removes any timber from tax-forfeited land before said timber has been scaled and fully paid for as provided in this subdivision is guilty of a misdemeanor.

(h) The county auditor may, with the approval of the county board, and without first offering at public sale, grant leases, for a term not exceeding 25 years, for the removal of peat and for the production or removal of farm-grown closed-loop biomass as defined in section 216B.2424, subdivision 1, or short-rotation woody crops from tax-forfeited lands upon the terms and conditions as the county board may prescribe. Any lease for the removal of peat, farm-grown closed-loop biomass, or short-rotation woody crops from tax-forfeited lands must first be reviewed and approved by the commissioner of natural resources if the lease covers 320 or more acres. No lease for the removal of peat, farm-grown closed-loop biomass, or short-rotation woody crops shall be made by the county auditor pursuant to this section without first holding a public hearing on the auditor's intention to lease. One printed notice in a legal newspaper in the county at least ten days before the hearing, and posted notice in the courthouse at least 20 days before the hearing shall be given of the hearing.

(i) Notwithstanding any provision of paragraph (c) to the contrary, the St. Louis County auditor may, at the discretion of the county board, sell timber to the party who bids the highest price for all the several kinds of timber, as provided for sales by the commissioner of natural resources under section 90.14. Bids offered over and above the appraised price need not be applied proportionately to the appraised price of each of the different species of timber.

(j) In lieu of any payment or deposit required in paragraph (b), as directed by the county board and under terms set by the county board, the county auditor may accept an irrevocable bank letter of credit in the amount equal to the



amount otherwise determined in paragraph (b). If an irrevocable bank letter of credit is provided under this paragraph, at the written request of the purchaser, the county may periodically allow the bank letter of credit to be reduced by an amount proportionate to the value of timber that has been harvested and for which the county has received payment. The remaining amount of the bank letter of credit after a reduction under this paragraph must not be less than 20 percent of the value of the timber purchased. If an irrevocable bank letter of credit or cash deposit is provided for the down payment required in paragraph (b), and no cutting of timber has taken place on the contract for which a letter of credit has been provided, the county may allow the transfer of the letter of credit to any other contract issued to the contract holder by the county under this chapter to which the contract holder requests in writing that it be credited.

Sec. 96. **[383B.761] DISCONTINUANCE OF HENNEPIN COUNTY SOIL AND WATER CONSERVATION DISTRICT; TRANSFER OF DUTIES.**

Subdivision 1. **Petition.** Notwithstanding section 103C.225, the Hennepin County Board of Commissioners may petition the Minnesota Board of Water and Soil Resources to discontinue the Hennepin Soil and Water Conservation District and transfer the duties and authorities of the district to the Hennepin County Board of Commissioners. The Minnesota Board of Water and Soil Resources has 60 days from the receipt of the petition to conduct its review. The Minnesota Board of Water and Soil Resources shall make its determination regarding the petition no later than its first regular meeting following the 60-day review period.

Subd. 2. **Discontinuance.** The Minnesota Board of Water and Soil Resources shall review the petition submitted under subdivision 1 to determine whether progress toward the goals identified in section 103C.005 can be achieved by discontinuing the Hennepin Soil and Water Conservation District and transferring the duties and authorities of the district to the Hennepin County Board of Commissioners. If the Board of Water and Soil Resources determines that progress toward the goals identified in section 103C.005 can be achieved by the discontinuance of the district and the transfer of district duties and authorities to the Hennepin County Board of Commissioners, the Board of Water and Soil Resources shall order the discontinuance of the Hennepin Soil and Water Conservation District. The order shall become effective within 60 days from the date of the order. The Minnesota Board of Water and Soil Resources may discontinue the Hennepin Soil and Water Conservation District without a referendum.

Subd. 3. **Transfer of duties and authorities.** Upon discontinuance of the Hennepin Soil and Water Conservation District by the Minnesota Board of Water and Soil Resources, the Hennepin County Board of Commissioners has the duties and authorities of a soil and water conservation district. The Hennepin County Board of Commissioners may assign these duties and responsibilities to the Hennepin County Department of Environmental Services or other county departments as deemed appropriate by the county board. All contracts in effect on the date of the discontinuance of the district, to which the Hennepin Soil and Water Conservation District is a party, remain in force and effect for the period provided in the contracts. Hennepin County shall be substituted for the Hennepin Soil and Water Conservation District as party to the contracts and succeed to the district's rights and duties.

Subd. 4. **Transfer of assets.** The Hennepin Conservation District Board of Supervisors shall transfer the assets of the district to the Hennepin County Board of Commissioners no later than 60 days from the date of the order. The Hennepin County Board of Commissioners shall use the transferred assets for purposes of implementing the transferred duties and authorities.

Subd. 5. **Grants.** Upon discontinuance of the Hennepin Soil and Water Conservation District by the Minnesota Board of Water and Soil Resources, Hennepin County has the eligibility of a soil and water conservation district for state grant funds.

Subd. 6. **Reestablishment.** The Hennepin County Board of Commissioners may petition the Minnesota Board of Water and Soil Resources to reestablish the Hennepin Soil and Water Conservation District. Alternatively, the

Minnesota Board of Water and Soil Resources under its authority in section 103C.201, and after giving notice of corrective actions and time to implement the corrective actions, may reestablish the Hennepin Soil and Water Conservation District if it determines the goals identified in section 103C.005 are not being achieved. The Minnesota Board of Water and Soil Resources may reestablish the Hennepin Soil and Water Conservation District under this subdivision without a referendum.

**EFFECTIVE DATE; LOCAL APPROVAL.** This section is effective the day after the governing body of Hennepin County and its chief clerical officer timely complete their compliance with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

Sec. 97. Minnesota Statutes 2012, section 473.846, is amended to read:

**473.846 REPORTS REPORT TO LEGISLATURE.**

The agency shall submit to the senate and house of representatives committees having jurisdiction over environment and natural resources ~~separate reports~~ a report describing the activities for which money for landfill abatement has been spent under ~~sections~~ section 473.844 and 473.845. The report ~~for section 473.844 expenditures~~ shall be included in the report required by section 115A.411, and shall include recommendations on the future management and use of the metropolitan landfill abatement account. ~~By December 31 of each year, the commissioner shall submit the report for section 473.845 on contingency action trust fund activities.~~

Sec. 98. Laws 2010, chapter 361, article 3, section 7, is amended to read:

Sec. 7. **PARKS.**

The Minneapolis Park and Recreation Board may acquire all or part of the entire property known as the Scherer Brothers Lumber Yard for a metropolitan area regional park and may allocate any future appropriations to the board from the parks and trails fund to acquire the property. Notwithstanding Minnesota Rules, part 6115.0190, subpart 3 or 5, item E, or 6115.0191, subpart 8, item A, the Minneapolis Park and Recreation Board is authorized to recreate and restore Hall's Island or such similar island located at approximately river mile 855 on the Mississippi River, just north of the Plymouth Avenue bridge, at a project site in Section 15, Township 29 North, Range 24 West, Hennepin County, Minnesota, on or adjacent to the property known as the Scherer Brothers Lumber Yard. The commissioner of natural resources shall grant any authorizations, permits, or permissions necessary to effectuate the project, provided that the project is consistent with all other standards and guidelines in Minnesota Rules, chapter 6115. If the project is not constructed within six years of the effective date of this act, the authority provided in this section to reconstruct Hall's Island expires. The recreation and restoration shall be coordinated with future efforts to restore habitat along the Mississippi River. Once recreated and restored, Hall's Island shall remain in public ownership in perpetuity and shall be maintained as a natural habitat island for birds and other wildlife. Public access and recreational activities shall be limited to a walking trail to protect the island's wildlife and habitat.

**EFFECTIVE DATE.** This section is effective the day after the Minneapolis Park and Recreation Board timely completes compliance with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

Sec. 99. **NORTH MISSISSIPPI REGIONAL PARK.**

(a) The boundaries of the North Mississippi Regional Park are extended to include the approximately 20.82 acres of land adjacent to the existing park known as Webber Park and that part of Shingle Creek that flows through Webber Park and continues through North Mississippi Regional Park into the Mississippi River.

(b) Funds appropriated for North Mississippi Regional Park may be expended to provide for visitor amenities, including construction of a natural filtration swimming pool and a building for park users.

**EFFECTIVE DATE.** This section is effective the day after the governing body of the Minneapolis Park and Recreation Board and its chief clerical officer timely complete their compliance with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

Sec. 100. **WASTEWATER TREATMENT SYSTEMS; BENEFICIAL USE.**

The Pollution Control Agency shall apply the following criteria to wastewater treatment system projects: at least 30 points shall be assigned if a project will result in an agency-approved beneficial use of treated wastewater that results in reducing or replacing the use of groundwater, surface water, or potable water, provided that the project component resulting in the beneficial use of wastewater accounts for at least 20 percent of the total eligible cost of the project. Projects receiving points for land discharge beneficial use shall not receive an additional 30 points.

**EFFECTIVE DATE.** This section is effective August 1, 2013.

Sec. 101. **PERMIT CANCELLATION.**

Upon written request submitted by a permit holder to the commissioner of natural resources on or before June 1, 2015, the commissioner shall cancel any provision in a timber sale permit sold prior to September 1, 2012, that requires the security payment for or removal of all or part of the balsam fir when the permit contains at least 50 cords of balsam fir. The remaining provisions of the permit remain in effect. The permit holder may be required to fell or pile the balsam fir to meet management objectives.

Sec. 102. **GROUNDWATER SUSTAINABILITY RECOMMENDATIONS.**

The commissioner of natural resources shall develop recommendations on additional tools needed to fully implement the groundwater sustainability requirements of Minnesota Statutes, section 103G.287, subdivisions 3 and 5. The recommendations shall be submitted to the chairs of the environment and natural resources policy and finance committees by January 15, 2014, and shall include draft legislative language to implement the recommendations.

Sec. 103. **RULEMAKING; POSSESSION AND TRANSPORTATION OF WILDLIFE.**

The commissioner of natural resources may use the good cause exemption under Minnesota Statutes, section 14.388, subdivision 1, clause (3), to adopt rules to conform with the changes to Minnesota Statutes 2012, section 97A.401, subdivision 3, contained in this article, and Minnesota Statutes, section 14.386, does not apply except as provided under Minnesota Statutes, section 14.388.

Sec. 104. **RULEMAKING; DISPLAY OF PADDLE BOARD LICENSE NUMBERS.**

(a) The commissioner of natural resources shall amend Minnesota Rules, parts 6110.0200, 6110.0300, and 6110.0400, to exempt paddle boards from the requirement to display license certificates and license numbers, in the same manner as other nonmotorized watercraft such as canoes and kayaks.

(b) The commissioner may use the good cause exemption under Minnesota Statutes, section 14.388, subdivision 1, clause (3), to adopt rules under this section, and Minnesota Statutes, section 14.386, does not apply except as provided under Minnesota Statutes, section 14.388.

Sec. 105. **RULES; SILICA SAND.**

(a) The commissioner of the Pollution Control Agency shall adopt rules pertaining to the control of particulate emissions from silica sand projects. The rulemaking is exempt from Minnesota Statutes, section 14.125.

(b) The commissioner of natural resources shall adopt rules pertaining to the reclamation of silica sand mines. The rulemaking is exempt from Minnesota Statutes, section 14.125.

(c) By January 1, 2014, the Department of Health shall adopt an air quality health-based value for silica sand.

(d) The Environmental Quality Board shall amend its rules for environmental review, adopted under Minnesota Statutes, chapter 116D, for silica sand mining and processing to take into account the increased activity in the state and concerns over the size of specific operations. The Environmental Quality Board shall consider whether the requirements of Minnesota Statutes, section 116C.991, should remain part of the environmental review requirements for silica sand and whether the requirements should be different for different geographic areas of the state. The rulemaking is exempt from Minnesota Statutes, section 14.125.

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

Sec. 106. **INTERIM ORDINANCE EXTENSION OR RENEWAL.**

Notwithstanding Minnesota Statutes, sections 394.34 and 462.355, subdivision 4, until March 1, 2015, a local unit of government may extend for one year an interim ordinance or renew an expired ordinance prohibiting new or expanded silica sand projects, as defined in Minnesota Statutes, section 116C.99, and extend the ordinance an additional year by resolution of the local unit of government.

**EFFECTIVE DATE.** This section is effective retroactively from March 1, 2013.

Sec. 107. **RULEMAKING; FUGITIVE EMISSIONS.**

(a) The commissioner of the Pollution Control Agency shall amend Minnesota Rules, part 7005.0100, subpart 35a, to read:

"Potential emissions" or "potential to emit" means the maximum capacity while operating at the maximum hours of operation of an emissions unit, emission facility, or stationary source to emit a pollutant under its physical and operational design. Any physical or operational limitation on the capacity of the stationary source to emit a pollutant, including air pollution control equipment and restriction on hours of operation or on the type or amount of material combusted, stored, or processed, must be treated as part of its design if the limitation or the effect it would have on emissions is federally enforceable.

Secondary emissions must not be counted in determining the potential to emit of an emissions unit, emission facility, or stationary source. Fugitive emissions shall not be counted when determining potential to emit, unless required under Minnesota Rules, part 7007.0200, subpart 2, item B, or applicable federal regulation."

(b) The commissioner may use the good cause exemption under Minnesota Statutes, section 14.388, subdivision 1, clause (3), to adopt rules under this section, and Minnesota Statutes, section 14.386, does not apply, except as provided under Minnesota Statutes, section 14.388.

Sec. 108. **REPEALER.**

(a) Minnesota Statutes 2012, sections 90.163; 90.173; 90.41, subdivision 2; and 103G.265, subdivision 2a, and Minnesota Rules, parts 7021.0010, subparts 1, 2, 4, and 5; 7021.0020; 7021.0030; 7021.0040; 7021.0050, subpart 5; 9210.0300; 9210.0310; 9210.0320; 9210.0330; 9210.0340; 9210.0350; 9210.0360; 9210.0370; 9210.0380; and 9220.0530, subpart 6, are repealed.

(b) Laws 2011, First Special Session chapter 2, article 4, section 30, is repealed.

ARTICLE 5  
SANITARY DISTRICTS

Section 1. Minnesota Statutes 2012, 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~~ 442A.01 to 442A.29;
- (3) regional sanitary sewer districts under sections 115.61 to 115.67;
- (4) regional public library districts under section 134.201;
- (5) park districts under chapter 398;
- (6) regional railroad authorities under chapter 398A;
- (7) hospital districts under sections 447.31 to 447.38;
- (8) St. Cloud Metropolitan Transit Commission under sections 458A.01 to 458A.15;
- (9) Duluth Transit Authority under sections 458A.21 to 458A.37;
- (10) regional development commissions under sections 462.381 to 462.398;
- (11) housing and redevelopment authorities under sections 469.001 to 469.047;
- (12) port authorities under sections 469.048 to 469.068;
- (13) economic development authorities under sections 469.090 to 469.1081;
- (14) Metropolitan Council under sections 473.123 to 473.549;
- (15) Metropolitan Airports Commission under sections 473.601 to 473.680;
- (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;

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

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

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

Sec. 2. **[442A.01] DEFINITIONS.**

Subdivision 1. **Applicability.** For the purposes of this chapter, the terms defined in this section have the meanings given.

Subd. 2. **Chief administrative law judge.** "Chief administrative law judge" means the chief administrative law judge of the Office of Administrative Hearings or the delegate of the chief administrative law judge under section 14.48.

Subd. 3. **District.** "District" means a sanitary district created under this chapter or under Minnesota Statutes 2012, sections 115.18 to 115.37.

Subd. 4. **Municipality.** "Municipality" means a city, however organized.

Subd. 5. **Property owner.** "Property owner" means the fee owner of land, or the beneficial owner of land whose interest is primarily one of possession and enjoyment. Property owner includes, but is not limited to, vendees under a contract for deed and mortgagors. Any reference to a percentage of property owners means in number.

Subd. 6. **Related governing body.** "Related governing body" means the governing body of a related governmental subdivision and, in the case of an organized town, means the town board.

Subd. 7. **Related governmental subdivision.** "Related governmental subdivision" means a municipality or organized town wherein there is a territorial unit of a district or, in the case of an unorganized area, the county.

Subd. 8. **Territorial unit.** "Territorial unit" means all that part of a district situated within a single municipality, within a single organized town outside of a municipality, or, in the case of an unorganized area, within a single county.

Sec. 3. **[442A.015] APPLICABILITY.**

All new sanitary district formations proposed and all sanitary districts previously formed under Minnesota Statutes 2012, sections 115.18 to 115.37, must comply with this chapter, including annexations to, detachments from, and dissolutions of sanitary districts previously formed under Minnesota Statutes 2012, sections 115.18 to 115.37.

Sec. 4. **[442A.02] SANITARY DISTRICTS; PROCEDURES AND AUTHORITY.**

Subdivision 1. **Duty of chief administrative law judge.** The chief administrative law judge shall conduct proceedings, make determinations, and issue orders for the creation of a sanitary district formed under this chapter or the annexation, detachment, or dissolution of a sanitary district previously formed under Minnesota Statutes 2012, sections 115.18 to 115.37.

Subd. 2. **Consolidation of proceedings.** The chief administrative law judge may order the consolidation of separate proceedings in the interest of economy and expedience.

Subd. 3. **Contracts, consultants.** The chief administrative law judge may contract with regional, state, county, or local planning commissions and hire expert consultants to provide specialized information and assistance.

Subd. 4. **Powers of conductor of proceedings.** Any person conducting a proceeding under this chapter may administer oaths and affirmations; receive testimony of witnesses, and the production of papers, books, and documents; examine witnesses; and receive and report evidence. Upon the written request of a presiding administrative law judge or a party, the chief administrative law judge may issue a subpoena for the attendance of a witness or the production of books, papers, records, or other documents material to any proceeding under this chapter. The subpoena is enforceable through the district court in the district in which the subpoena is issued.

Subd. 5. **Rulemaking authority.** The chief administrative law judge may adopt rules that are reasonably necessary to carry out the duties and powers imposed upon the chief administrative law judge under this chapter. The chief administrative law judge may initially adopt rules according to section 14.386. Notwithstanding section 16A.1283, the chief administrative law judge may adopt rules establishing fees.

Subd. 6. **Schedule of filing fees.** The chief administrative law judge may prescribe by rule a schedule of filing fees for any petitions filed under this chapter.

Subd. 7. **Request for hearing transcripts; costs.** Any party may request the chief administrative law judge to cause a transcript of the hearing to be made. Any party requesting a copy of the transcript is responsible for its costs.

Subd. 8. **Compelled meetings; report.** (a) In any proceeding under this chapter, the chief administrative law judge or conductor of the proceeding may at any time in the process require representatives from any petitioner, property owner, or involved city, town, county, political subdivision, or other governmental entity to meet together to discuss resolution of issues raised by the petition or order that confers jurisdiction on the chief administrative law judge and other issues of mutual concern. The chief administrative law judge or conductor of the proceeding may determine which entities are required to participate in these discussions. The chief administrative law judge or conductor of the proceeding may require that the parties meet at least three times during a 60-day period. The parties shall designate a person to report to the chief administrative law judge or conductor of the proceeding on the results of the meetings immediately after the last meeting. The parties may be granted additional time at the discretion of the chief administrative law judge or conductor of the proceedings.

(b) Any proposed resolution or settlement of contested issues that results in a sanitary district formation, annexation, detachment, or dissolution; places conditions on any future sanitary district formation, annexation, detachment, or dissolution; or results in the withdrawal of an objection to a pending proceeding or the withdrawal of a pending proceeding must be filed with the chief administrative law judge and is subject to the applicable procedures and statutory criteria of this chapter.

Subd. 9. **Permanent official record.** The chief administrative law judge shall provide information about sanitary district creations, annexations, detachments, and dissolutions to the Minnesota Pollution Control Agency. The Minnesota Pollution Control Agency is responsible for maintaining the official record, including all documentation related to the processes.

Subd. 10. **Shared program costs and fee revenue.** The chief administrative law judge and the Minnesota Pollution Control Agency shall agree on an amount to be transferred from the Minnesota Pollution Control Agency to the chief administrative law judge to pay for administration of this chapter, including publication and notification costs. Sanitary district fees collected by the chief administrative law judge shall be deposited in the environmental fund.

**EFFECTIVE DATE.** Subdivision 5 is effective the day following final enactment.

Sec. 5. **[442A.03] FILING OF MAPS IN SANITARY DISTRICT PROCEEDINGS.**

Any party initiating a sanitary district proceeding that includes platted land shall file with the chief administrative law judge maps which are necessary to support and identify the land description. The maps shall include copies of plats.

Sec. 6. **[442A.04] SANITARY DISTRICT CREATION.**

Subdivision 1. **Sanitary district creation.** (a) A sanitary district may be created under this chapter for any territory embracing an area or a group of two or more adjacent areas, whether contiguous or separate, but not situated entirely within the limits of a single municipality. The proposed sanitary district must promote the public health and welfare by providing an adequate and efficient system and means of collecting, conveying, pumping, treating, and disposing of domestic sewage and garbage and industrial wastes within the district. When the chief administrative law judge or the Minnesota Pollution Control Agency finds that there is need throughout the territory for the accomplishment of these purposes; that these purposes can be effectively accomplished on an equitable basis by a district if created; and that the creation and maintenance of a district will be administratively feasible and in furtherance of the public health, safety, and welfare, the chief administrative law judge shall make an order creating the sanitary district. A sanitary district is administratively feasible under this section if the district has the financial and managerial resources needed to deliver adequate and efficient sanitary sewer services within the proposed district.

(b) Notwithstanding paragraph (a), no district shall be created within 25 miles of the boundary of any city of the first class without the approval of the governing body thereof and the approval of the governing body of each and every municipality in the proposed district by resolution filed with the chief administrative law judge.

(c) If the chief administrative law judge and the Minnesota Pollution Control Agency disagree on the need to create a sanitary district, they must determine whether not allowing the sanitary district formation will have a detrimental effect on the environment. If it is determined that the sanitary district formation will prevent environmental harm, the sanitary district creation or connection to an existing wastewater treatment system must occur.

Subd. 2. **Proceeding to create sanitary district.** (a) A proceeding for the creation of a district may be initiated by a petition to the chief administrative law judge containing the following:

(1) a request for creation of the proposed district;

(2) the name proposed for the district, to include the words "sanitary district";

(3) a legal description of the territory of the proposed district, including justification for inclusion or exclusion for all parcels;

(4) addresses of every property owner within the proposed district boundaries as provided by the county auditor, with certification from the county auditor; two sets of address labels for said owners; and a list of e-mail addresses for said owners, if available;

(5) a statement showing the existence in the territory of the conditions requisite for creation of a district as prescribed in subdivision 1;

(6) a statement of the territorial units represented by and the qualifications of the respective signers; and

(7) the post office address of each signer, given under the signer's signature.

A petition may consist of separate writings of like effect, each signed by one or more qualified persons, and all such writings, when filed, shall be considered together as a single petition.



(b) Petitioners must conduct and pay for a public meeting to inform citizens of the proposed creation of the district. At the meeting, information must be provided, including a description of the district's proposed structure, bylaws, territory, ordinances, budget, and charges and a description of the territory of the proposed district, including justification for inclusion or exclusion for all parcels. Notice of the meeting must be published for two successive weeks in a qualified newspaper, as defined under chapter 331A, published within the territory of the proposed district or, if there is no qualified newspaper published within the territory, in a qualified newspaper of general circulation in the territory, and must be posted for two weeks in each territorial unit of the proposed district and on the Web site of the proposed district, if one exists. Notice of the meeting must be mailed or e-mailed at least three weeks prior to the meeting to all property tax billing addresses for all parcels included in the proposed district. The following must be submitted to the chief administrative law judge with the petition:

(1) a record of the meeting, including copies of all information provided at the meeting;

(2) a copy of the mailing list provided by the county auditor and used to notify property owners of the meeting;

(3) a copy of the e-mail list used to notify property owners of the meeting;

(4) the printer's affidavit of publication of public meeting notice;

(5) an affidavit of posting the public meeting notice with information on dates and locations of posting; and

(6) the minutes or other record of the public meeting documenting that the following topics were discussed: printer's affidavit of publication of each resolution, with a copy of the resolution from the newspaper attached; and the affidavit of resolution posting on the town or proposed district Web site.

(c) Every petition must be signed as follows:

(1) for each municipality wherein there is a territorial unit of the proposed district, by an authorized officer pursuant to a resolution of the municipal governing body;

(2) for each organized town wherein there is a territorial unit of the proposed district, by an authorized officer pursuant to a resolution of the town board;

(3) for each county wherein there is a territorial unit of the proposed district consisting of an unorganized area, by an authorized officer pursuant to a resolution of the county board or by at least 20 percent of the voters residing and owning land within the unit.

(d) Each resolution must be published in the official newspaper of the governing body adopting it and becomes effective 40 days after publication, unless within said period there shall be filed with the governing body a petition signed by qualified electors of a territorial unit of the proposed district, equal in number to five percent of the number of electors voting at the last preceding election of the governing body, requesting a referendum on the resolution, in which case the resolution may not become effective until approved by a majority of the qualified electors voting at a regular election or special election that the governing body may call. The notice of an election and the ballot to be used must contain the text of the resolution followed by the question: "Shall the above resolution be approved?"

(e) If any signer is alleged to be a landowner in a territorial unit, a statement as to the signer's landowner status as shown by the county auditor's tax assessment records, certified by the auditor, shall be attached to or endorsed upon the petition.

(f) At any time before publication of the public notice required in subdivision 3, additional signatures may be added to the petition or amendments of the petition may be made to correct or remedy any error or defect in

signature or otherwise except a material error or defect in the description of the territory of the proposed district. If the qualifications of any signer of a petition are challenged, the chief administrative law judge shall determine the challenge forthwith on the allegations of the petition, the county auditor's certificate of land ownership, and such other evidence as may be received.

**Subd. 3. Notice of intent to create sanitary district.** (a) Upon receipt of a petition and the record of the public meeting required under subdivision 2, the chief administrative law judge shall publish a notice of intent to create the proposed sanitary district in the State Register and mail or e-mail information of that publication to each property owner in the affected territory at the owner's address as given by the county auditor. The information must state the date that the notice will appear in the State Register and give the Web site location for the State Register. The notice must:

(1) describe the petition for creation of the district;

(2) describe the territory affected by the petition;

(3) allow 30 days for submission of written comments on the petition;

(4) state that a person who objects to the petition may submit a written request for hearing to the chief administrative law judge within 30 days of the publication of the notice in the State Register; and

(5) state that if a timely request for hearing is not received, the chief administrative law judge may make a decision on the petition.

(b) If 50 or more individual timely requests for hearing are received, the chief administrative law judge must hold a hearing on the petition according to the contested case provisions of chapter 14. The sanitary district proposers are responsible for paying all costs involved in publicizing and holding a hearing on the petition.

**Subd. 4. Hearing time, place.** If a hearing is required pursuant to subdivision 3, the chief administrative law judge shall designate a time and place for a hearing according to section 442A.13.

**Subd. 5. Relevant factors.** (a) In arriving at a decision, the chief administrative law judge shall consider the following factors:

(1) administrative feasibility under subdivision 1, paragraph (a);

(2) public health, safety, and welfare impacts;

(3) alternatives for managing the public health impacts;

(4) equities of the petition proposal;

(5) contours of the petition proposal; and

(6) public notification of and interaction on the petition proposal.

(b) Based on the factors in paragraph (a), the chief administrative law judge may order the sanitary district creation on finding that:

(1) the proposed district is administratively feasible;

(2) the proposed district provides a long-term, equitable solution to pollution problems affecting public health, safety, and welfare;

(3) property owners within the proposed district were provided notice of the proposed district and opportunity to comment on the petition proposal; and

(4) the petition complied with the requirements of all applicable statutes and rules pertaining to sanitary district creation.

(c) The chief administrative law judge may alter the boundaries of the proposed sanitary district by increasing or decreasing the area to be included or may exclude property that may be better served by another unit of government. The chief administrative law judge may also alter the boundaries of the proposed district so as to follow visible, clearly recognizable physical features for municipal boundaries.

(d) The chief administrative law judge may deny sanitary district creation if the area, or a part thereof, would be better served by an alternative method.

(e) In all cases, the chief administrative law judge shall set forth the factors that are the basis for the decision.

Subd. 6. **Findings; order.** After the public notice period or the public hearing, if required under subdivision 3, and based on the petition, any public comments received, and, if a hearing was held, the hearing record, the chief administrative law judge shall make findings of fact and conclusions determining whether the conditions requisite for the creation of a district exist in the territory described in the petition. If the chief administrative law judge finds that the conditions exist, the judge may make an order creating a district for the territory described in that petition under the name proposed in the petition or such other name, including the words "sanitary district," as the judge deems appropriate.

Subd. 7. **Denial of petition.** If the chief administrative law judge, after conclusion of the public notice period or holding a hearing, if required, determines that the creation of a district in the territory described in the petition is not warranted, the judge shall make an order denying the petition. The chief administrative law judge shall give notice of the denial by mail or e-mail to each signer of the petition. No petition for the creation of a district consisting of the same territory shall be entertained within a year after the date of an order under this subdivision. Nothing in this subdivision precludes action on a petition for the creation of a district embracing part of the territory with or without other territory.

Subd. 8. **Notice of order creating sanitary district.** The chief administrative law judge shall publish a notice in the State Register of the final order creating a sanitary district, referring to the date of the order and describing the territory of the district, and shall mail or e-mail information of the publication to each property owner in the affected territory at the owner's address as given by the county auditor. The information must state the date that the notice will appear in the State Register and give the Web site location for the State Register. The notice must:

(1) describe the petition for creation of the district;

(2) describe the territory affected by the petition; and

(3) state that a certified copy of the order shall be delivered to the secretary of state for filing ten days after public notice of the order in the State Register.

Subd. 9. **Filing.** Ten days after public notice of the order in the State Register, the chief administrative law judge shall deliver a certified copy of the order to the secretary of state for filing. Thereupon, the creation of the district is deemed complete, and it shall be conclusively presumed that all requirements of law relating thereto have been complied with. The chief administrative law judge shall also transmit a certified copy of the order for filing to the county auditor of each county and the clerk or recorder of each municipality and organized town wherein any part of the territory of the district is situated and to the secretary of the district board when elected.

Sec. 7. **[442A.05] SANITARY DISTRICT ANNEXATION.**

Subdivision 1. **Annexation.** (a) A sanitary district annexation may occur under this chapter for any area adjacent to an existing district upon a petition to the chief administrative law judge stating the grounds therefor as provided in this section.

(b) The proposed annexation area must embrace an area or a group of two or more adjacent areas, whether contiguous or separate, but not situated entirely within the limits of a single municipality. The proposed annexation must promote public health and welfare by providing an adequate and efficient system and means of collecting, conveying, pumping, treating, and disposing of domestic sewage and garbage and industrial wastes within the district. When the chief administrative law judge or the Minnesota Pollution Control Agency finds that there is need throughout the territory for the accomplishment of these purposes, that these purposes can be effectively accomplished on an equitable basis by annexation to a district, and that the creation and maintenance of such annexation will be administratively feasible and in furtherance of the public health, safety, and welfare, the chief administrative law judge shall make an order for sanitary district annexation. An annexation is administratively feasible under this section if the district has the financial and managerial resources needed to deliver adequate and efficient sanitary sewer services within the proposed annexation.

(c) Notwithstanding paragraph (b), no annexation to a district shall be approved within 25 miles of the boundary of any city of the first class without the approval of the governing body thereof and the approval of the governing body of each and every municipality in the proposed annexation area by resolution filed with the chief administrative law judge.

(d) If the chief administrative law judge and the Minnesota Pollution Control Agency disagree on the need for a sanitary district annexation, they must determine whether not allowing the sanitary district annexation will have a detrimental effect on the environment. If it is determined that the sanitary district annexation will prevent environmental harm, the sanitary district annexation or connection to an existing wastewater treatment system must occur.

Subd. 2. **Proceeding for annexation.** (a) A proceeding for sanitary district annexation may be initiated by a petition to the chief administrative law judge containing the following:

(1) a request for proposed annexation to a sanitary district;

(2) a legal description of the territory of the proposed annexation, including justification for inclusion or exclusion for all parcels;

(3) addresses of every property owner within the existing sanitary district and proposed annexation area boundaries as provided by the county auditor, with certification from the county auditor; two sets of address labels for said owners; and a list of e-mail addresses for said owners, if available;

(4) a statement showing the existence in such territory of the conditions requisite for annexation to a district as prescribed in subdivision 1;

(5) a statement of the territorial units represented by and qualifications of the respective signers; and

(6) the post office address of each signer, given under the signer's signature.

A petition may consist of separate writings of like effect, each signed by one or more qualified persons, and all such writings, when filed, shall be considered together as a single petition.

(b) Petitioners must conduct and pay for a public meeting to inform citizens of the proposed annexation to a sanitary district. At the meeting, information must be provided, including a description of the existing sanitary

district's structure, bylaws, territory, ordinances, budget, and charges; a description of the existing sanitary district's territory; and a description of the territory of the proposed annexation area, including justification for inclusion or exclusion for all parcels for the annexation area. Notice of the meeting must be published for two successive weeks in a qualified newspaper, as defined under chapter 331A, published within the territories of the existing sanitary district and proposed annexation area or, if there is no qualified newspaper published within those territories, in a qualified newspaper of general circulation in the territories, and must be posted for two weeks in each territorial unit of the existing sanitary district and proposed annexation area and on the Web site of the existing sanitary district, if one exists. Notice of the meeting must be mailed or e-mailed at least three weeks prior to the meeting to all property tax billing addresses for all parcels included in the existing sanitary district and proposed annexation area. The following must be submitted to the chief administrative law judge with the petition:

(1) a record of the meeting, including copies of all information provided at the meeting;

(2) a copy of the mailing list provided by the county auditor and used to notify property owners of the meeting;

(3) a copy of the e-mail list used to notify property owners of the meeting;

(4) the printer's affidavit of publication of the public meeting notice;

(5) an affidavit of posting the public meeting notice with information on dates and locations of posting; and

(6) the minutes or other record of the public meeting documenting that the following topics were discussed: printer's affidavit of publication of each resolution, with copy of resolution from newspaper attached; and affidavit of resolution posting on town or existing sanitary district Web site.

(c) Every petition must be signed as follows:

(1) by an authorized officer of the existing sanitary district pursuant to a resolution of the board;

(2) for each municipality wherein there is a territorial unit of the proposed annexation area, by an authorized officer pursuant to a resolution of the municipal governing body;

(3) for each organized town wherein there is a territorial unit of the proposed annexation area, by an authorized officer pursuant to a resolution of the town board; and

(4) for each county wherein there is a territorial unit of the proposed annexation area consisting of an unorganized area, by an authorized officer pursuant to a resolution of the county board or by at least 20 percent of the voters residing and owning land within the unit.

(d) Each resolution must be published in the official newspaper of the governing body adopting it and becomes effective 40 days after publication, unless within said period there shall be filed with the governing body a petition signed by qualified electors of a territorial unit of the proposed annexation area, equal in number to five percent of the number of electors voting at the last preceding election of the governing body, requesting a referendum on the resolution, in which case the resolution may not become effective until approved by a majority of the qualified electors voting at a regular election or special election that the governing body may call. The notice of an election and the ballot to be used must contain the text of the resolution followed by the question: "Shall the above resolution be approved?"

(e) If any signer is alleged to be a landowner in a territorial unit, a statement as to the signer's landowner status as shown by the county auditor's tax assessment records, certified by the auditor, shall be attached to or endorsed upon the petition.

(f) At any time before publication of the public notice required in subdivision 4, additional signatures may be added to the petition or amendments of the petition may be made to correct or remedy any error or defect in signature or otherwise except a material error or defect in the description of the territory of the proposed annexation area. If the qualifications of any signer of a petition are challenged, the chief administrative law judge shall determine the challenge forthwith on the allegations of the petition, the county auditor's certificate of land ownership, and such other evidence as may be received.

Subd. 3. **Joint petition.** Different areas may be annexed to a district in a single proceeding upon a joint petition therefor and upon compliance with the provisions of subdivisions 1 and 2 with respect to the area affected so far as applicable.

Subd. 4. **Notice of intent for sanitary district annexation.** (a) Upon receipt of a petition and the record of public meeting required under subdivision 2, the chief administrative law judge shall publish a notice of intent for sanitary district annexation in the State Register and mail or e-mail information of the publication to each property owner in the affected territory at the owner's address as given by the county auditor. The information must state the date that the notice will appear in the State Register and give the Web site location for the State Register. The notice must:

(1) describe the petition for sanitary district annexation;

(2) describe the territory affected by the petition;

(3) allow 30 days for submission of written comments on the petition;

(4) state that a person who objects to the petition may submit a written request for hearing to the chief administrative law judge within 30 days of the publication of the notice in the State Register; and

(5) state that if a timely request for hearing is not received, the chief administrative law judge may make a decision on the petition.

(b) If 50 or more individual timely requests for hearing are received, the chief administrative law judge must hold a hearing on the petition according to the contested case provisions of chapter 14. The sanitary district or annexation area proposers are responsible for paying all costs involved in publicizing and holding a hearing on the petition.

Subd. 5. **Hearing time, place.** If a hearing is required under subdivision 4, the chief administrative law judge shall designate a time and place for a hearing according to section 442A.13.

Subd. 6. **Relevant factors.** (a) In arriving at a decision, the chief administrative law judge shall consider the following factors:

(1) administrative feasibility under subdivision 1, paragraph (b);

(2) public health, safety, and welfare impacts;

(3) alternatives for managing the public health impacts;

(4) equities of the petition proposal;

(5) contours of the petition proposal; and

(6) public notification of and interaction on the petition proposal.

(b) Based upon these factors, the chief administrative law judge may order the annexation to the sanitary district on finding that:

(1) the sanitary district is knowledgeable and experienced in delivering sanitary sewer services to ratepayers and has provided quality service in a fair and cost-effective manner;

(2) the proposed annexation provides a long-term, equitable solution to pollution problems affecting public health, safety, and welfare;

(3) property owners within the existing sanitary district and proposed annexation area were provided notice of the proposed district and opportunity to comment on the petition proposal; and

(4) the petition complied with the requirements of all applicable statutes and rules pertaining to sanitary district annexation.

(c) The chief administrative law judge may alter the boundaries of the proposed annexation area by increasing or decreasing the area to be included or may exclude property that may be better served by another unit of government. The chief administrative law judge may also alter the boundaries of the proposed annexation area so as to follow visible, clearly recognizable physical features for municipal boundaries.

(d) The chief administrative law judge may deny sanitary district annexation if the area, or a part thereof, would be better served by an alternative method.

(e) In all cases, the chief administrative law judge shall set forth the factors that are the basis for the decision.

**Subd. 7. Findings; order.** (a) After the public notice period or the public hearing, if required under subdivision 4, and based on the petition, any public comments received, and, if a hearing was held, the hearing record, the chief administrative law judge shall make findings of fact and conclusions determining whether the conditions requisite for the sanitary district annexation exist in the territory described in the petition. If the chief administrative law judge finds that conditions exist, the judge may make an order for sanitary district annexation for the territory described in the petition.

(b) All taxable property within the annexed area shall be subject to taxation for any existing bonded indebtedness or other indebtedness of the district for the cost of acquisition, construction, or improvement of any disposal system or other works or facilities beneficial to the annexed area to such extent as the chief administrative law judge may determine to be just and equitable, to be specified in the order for annexation. The proper officers shall levy further taxes on such property accordingly.

**Subd. 8. Denial of petition.** If the chief administrative law judge, after conclusion of the public notice period or holding a hearing, if required, determines that the sanitary district annexation in the territory described in the petition is not warranted, the judge shall make an order denying the petition. The chief administrative law judge shall give notice of the denial by mail or e-mail to each signer of the petition. No petition for a sanitary district annexation consisting of the same territory shall be entertained within a year after the date of an order under this subdivision. Nothing in this subdivision precludes action on a petition for a sanitary district annexation embracing part of the territory with or without other territory.

Subd. 9. **Notice of order for sanitary district annexation.** The chief administrative law judge shall publish in the State Register a notice of the final order for sanitary district annexation, referring to the date of the order and describing the territory of the annexation area, and shall mail or e-mail information of the publication to each property owner in the affected territory at the owner's address as given by the county auditor. The information must state the date that the notice will appear in the State Register and give the Web site location for the State Register. The notice must:

(1) describe the petition for annexation to the district;

(2) describe the territory affected by the petition; and

(3) state that a certified copy of the order shall be delivered to the secretary of state for filing ten days after public notice of the order in the State Register.

Subd. 10. **Filing.** Ten days after public notice of the order in the State Register, the chief administrative law judge shall deliver a certified copy of the order to the secretary of state for filing. Thereupon, the sanitary district annexation is deemed complete, and it shall be conclusively presumed that all requirements of law relating thereto have been complied with. The chief administrative law judge shall also transmit a certified copy of the order for filing to the county auditor of each county and the clerk or recorder of each municipality and organized town wherein any part of the territory of the district, including the newly annexed area, is situated and to the secretary of the district board.

Sec. 8. **[442A.06] SANITARY DISTRICT DETACHMENT.**

Subdivision 1. **Detachment.** (a) A sanitary district detachment may occur under this chapter for any area within an existing district upon a petition to the chief administrative law judge stating the grounds therefor as provided in this section.

(b) The proposed detachment must not have any negative environmental impact on the proposed detachment area.

(c) If the chief administrative law judge and the Minnesota Pollution Control Agency disagree on the need for a sanitary district detachment, they must determine whether not allowing the sanitary district detachment will have a detrimental effect on the environment. If it is determined that the sanitary district detachment will cause environmental harm, the sanitary district detachment is not allowed unless the detached area is immediately connected to an existing wastewater treatment system.

Subd. 2. **Proceeding for detachment.** (a) A proceeding for sanitary district detachment may be initiated by a petition to the chief administrative law judge containing the following:

(1) a request for proposed detachment from a sanitary district;

(2) a statement that the requisite conditions for inclusion in a district no longer exist in the proposed detachment area;

(3) a legal description of the territory of the proposed detachment, including justification for inclusion or exclusion for all parcels;

(4) addresses of every property owner within the sanitary district and proposed detachment area boundaries as provided by the county auditor, with certification from the county auditor; two sets of address labels for said owners; and a list of e-mail addresses for said owners, if available;

(5) a statement of the territorial units represented by and qualifications of the respective signers; and



(6) the post office address of each signer, given under the signer's signature.

A petition may consist of separate writings of like effect, each signed by one or more qualified persons, and all such writings, when filed, shall be considered together as a single petition.

(b) Petitioners must conduct and pay for a public meeting to inform citizens of the proposed detachment from a sanitary district. At the meeting, information must be provided, including a description of the existing district's territory and a description of the territory of the proposed detachment area, including justification for inclusion or exclusion for all parcels for the detachment area. Notice of the meeting must be published for two successive weeks in a qualified newspaper, as defined under chapter 331A, published within the territories of the existing sanitary district and proposed detachment area or, if there is no qualified newspaper published within those territories, in a qualified newspaper of general circulation in the territories, and must be posted for two weeks in each territorial unit of the existing sanitary district and proposed detachment area and on the Web site of the existing sanitary district, if one exists. Notice of the meeting must be mailed or e-mailed at least three weeks prior to the meeting to all property tax billing addresses for all parcels included in the sanitary district. The following must be submitted to the chief administrative law judge with the petition:

(1) a record of the meeting, including copies of all information provided at the meeting;

(2) a copy of the mailing list provided by the county auditor and used to notify property owners of the meeting;

(3) a copy of the e-mail list used to notify property owners of the meeting;

(4) the printer's affidavit of publication of public meeting notice;

(5) an affidavit of posting the public meeting notice with information on dates and locations of posting; and

(6) minutes or other record of the public meeting documenting that the following topics were discussed: printer's affidavit of publication of each resolution, with copy of resolution from newspaper attached; and affidavit of resolution posting on town or existing sanitary district Web site.

(c) Every petition must be signed as follows:

(1) by an authorized officer of the existing sanitary district pursuant to a resolution of the board;

(2) for each municipality wherein there is a territorial unit of the proposed detachment area, by an authorized officer pursuant to a resolution of the municipal governing body;

(3) for each organized town wherein there is a territorial unit of the proposed detachment area, by an authorized officer pursuant to a resolution of the town board; and

(4) for each county wherein there is a territorial unit of the proposed detachment area consisting of an unorganized area, by an authorized officer pursuant to a resolution of the county board or by at least 20 percent of the voters residing and owning land within the unit.

(d) Each resolution must be published in the official newspaper of the governing body adopting it and becomes effective 40 days after publication, unless within said period there shall be filed with the governing body a petition signed by qualified electors of a territorial unit of the proposed detachment area, equal in number to five percent of the number of electors voting at the last preceding election of the governing body, requesting a referendum on the resolution, in which case the resolution may not become effective until approved by a majority of the qualified electors voting at a regular election or special election that the governing body may call. The notice of an election and the ballot to be used must contain the text of the resolution followed by the question: "Shall the above resolution be approved?"

(e) If any signer is alleged to be a landowner in a territorial unit, a statement as to the signer's landowner status as shown by the county auditor's tax assessment records, certified by the auditor, shall be attached to or endorsed upon the petition.

(f) At any time before publication of the public notice required in subdivision 4, additional signatures may be added to the petition or amendments of the petition may be made to correct or remedy any error or defect in signature or otherwise except a material error or defect in the description of the territory of the proposed detachment area. If the qualifications of any signer of a petition are challenged, the chief administrative law judge shall determine the challenge forthwith on the allegations of the petition, the county auditor's certificate of land ownership, and such other evidence as may be received.

Subd. 3. **Joint petition.** Different areas may be detached from a district in a single proceeding upon a joint petition therefor and upon compliance with the provisions of subdivisions 1 and 2 with respect to the area affected so far as applicable.

Subd. 4. **Notice of intent for sanitary district detachment.** (a) Upon receipt of a petition and record of public meeting required under subdivision 2, the chief administrative law judge shall publish a notice of intent for sanitary district detachment in the State Register and mail or e-mail information of the publication to each property owner in the affected territory at the owner's address as given by the county auditor. The information must state the date that the notice will appear in the State Register and give the Web site location for the State Register. The notice must:

(1) describe the petition for sanitary district detachment;

(2) describe the territory affected by the petition;

(3) allow 30 days for submission of written comments on the petition;

(4) state that a person who objects to the petition may submit a written request for hearing to the chief administrative law judge within 30 days of the publication of the notice in the State Register; and

(5) state that if a timely request for hearing is not received, the chief administrative law judge may make a decision on the petition.

(b) If 50 or more individual timely requests for hearing are received, the chief administrative law judge must hold a hearing on the petition according to the contested case provisions of chapter 14. The sanitary district or detachment area proposers are responsible for paying all costs involved in publicizing and holding a hearing on the petition.

Subd. 5. **Hearing time, place.** If a hearing is required under subdivision 4, the chief administrative law judge shall designate a time and place for a hearing according to section 442A.13.

Subd. 6. **Relevant factors.** (a) In arriving at a decision, the chief administrative law judge shall consider the following factors:

(1) public health, safety, and welfare impacts for the proposed detachment area;

(2) alternatives for managing the public health impacts for the proposed detachment area;

(3) equities of the petition proposal;

(4) contours of the petition proposal; and

(5) public notification of and interaction on the petition proposal.

(b) Based upon these factors, the chief administrative law judge may order the detachment from the sanitary district on finding that:

(1) the proposed detachment area has adequate alternatives for managing public health impacts due to the detachment;

(2) the proposed detachment area is not necessary for the district to provide a long-term, equitable solution to pollution problems affecting public health, safety, and welfare;

(3) property owners within the existing sanitary district and proposed detachment area were provided notice of the proposed detachment and opportunity to comment on the petition proposal; and

(4) the petition complied with the requirements of all applicable statutes and rules pertaining to sanitary district detachment.

(c) The chief administrative law judge may alter the boundaries of the proposed detachment area by increasing or decreasing the area to be included or may exclude property that may be better served by another unit of government. The chief administrative law judge may also alter the boundaries of the proposed detachment area so as to follow visible, clearly recognizable physical features for municipal boundaries.

(d) The chief administrative law judge may deny sanitary district detachment if the area, or a part thereof, would be better served by an alternative method.

(e) In all cases, the chief administrative law judge shall set forth the factors that are the basis for the decision.

**Subd. 7. Findings; order.** (a) After the public notice period or the public hearing, if required under subdivision 4, and based on the petition, any public comments received, and, if a hearing was held, the hearing record, the chief administrative law judge shall make findings of fact and conclusions determining whether the conditions requisite for the sanitary district detachment exist in the territory described in the petition. If the chief administrative law judge finds that conditions exist, the judge may make an order for sanitary district detachment for the territory described in the petition.

(b) All taxable property within the detached area shall remain subject to taxation for any existing bonded indebtedness of the district to such extent as it would have been subject thereto if not detached and shall also remain subject to taxation for any other existing indebtedness of the district incurred for any purpose beneficial to such area to such extent as the chief administrative law judge may determine to be just and equitable, to be specified in the order for detachment. The proper officers shall levy further taxes on such property accordingly.

**Subd. 8. Denial of petition.** If the chief administrative law judge, after conclusion of the public notice period or holding a hearing, if required, determines that the sanitary district detachment in the territory described in the petition is not warranted, the judge shall make an order denying the petition. The chief administrative law judge shall give notice of the denial by mail or e-mail to each signer of the petition. No petition for a detachment from a district consisting of the same territory shall be entertained within a year after the date of an order under this subdivision. Nothing in this subdivision precludes action on a petition for a detachment from a district embracing part of the territory with or without other territory.

**Subd. 9. Notice of order for sanitary district detachment.** The chief administrative law judge shall publish in the State Register a notice of the final order for sanitary district detachment, referring to the date of the order and describing the territory of the detached area and shall mail or e-mail information of the publication to each property owner in the affected territory at the owner's address as given by the county auditor. The information must state the date that the notice will appear in the State Register and give the Web site location for the State Register. The notice must:

(1) describe the petition for detachment from the district;

(2) describe the territory affected by the petition; and

(3) state that a certified copy of the order shall be delivered to the secretary of state for filing ten days after public notice of the order in the State Register.

Subd. 10. **Filing.** Ten days after public notice of the order in the State Register, the chief administrative law judge shall deliver a certified copy of the order to the secretary of state for filing. Thereupon, the sanitary district detachment is deemed complete, and it shall be conclusively presumed that all requirements of law relating thereto have been complied with. The chief administrative law judge shall also transmit a certified copy of the order for filing to the county auditor of each county and the clerk or recorder of each municipality and organized town wherein any part of the territory of the district, including the newly detached area, is situated and to the secretary of the district board.

Sec. 9. **[442A.07] SANITARY DISTRICT DISSOLUTION.**

Subdivision 1. **Dissolution.** (a) An existing sanitary district may be dissolved under this chapter upon a petition to the chief administrative law judge stating the grounds therefor as provided in this section.

(b) The proposed dissolution must not have any negative environmental impact on the existing sanitary district area.

(c) If the chief administrative law judge and the Minnesota Pollution Control Agency disagree on the need to dissolve a sanitary district, they must determine whether not dissolving the sanitary district will have a detrimental effect on the environment. If it is determined that the sanitary district dissolution will cause environmental harm, the sanitary district dissolution is not allowed unless the existing sanitary district area is immediately connected to an existing wastewater treatment system.

Subd. 2. **Proceeding for dissolution.** (a) A proceeding for sanitary district dissolution may be initiated by a petition to the chief administrative law judge containing the following:

(1) a request for proposed sanitary district dissolution;

(2) a statement that the requisite conditions for a sanitary district no longer exist in the district area;

(3) a proposal for distribution of the remaining funds of the district, if any, among the related governmental subdivisions;

(4) a legal description of the territory of the proposed dissolution;

(5) addresses of every property owner within the sanitary district boundaries as provided by the county auditor, with certification from the county auditor; two sets of address labels for said owners; and a list of e-mail addresses for said owners, if available;

(6) a statement of the territorial units represented by and the qualifications of the respective signers; and

(7) the post office address of each signer, given under the signer's signature.

A petition may consist of separate writings of like effect, each signed by one or more qualified persons, and all such writings, when filed, shall be considered together as a single petition.

(b) Petitioners must conduct and pay for a public meeting to inform citizens of the proposed dissolution of a sanitary district. At the meeting, information must be provided, including a description of the existing district's territory. Notice of the meeting must be published for two successive weeks in a qualified newspaper, as defined under chapter 331A, published within the territory of the sanitary district or, if there is no qualified newspaper published within that territory, in a qualified newspaper of general circulation in the territory and must be posted for two weeks in each territorial unit of the sanitary district and on the Web site of the existing sanitary district, if one exists. Notice of the meeting must be mailed or e-mailed at least three weeks prior to the meeting to all property tax billing addresses for all parcels included in the sanitary district. The following must be submitted to the chief administrative law judge with the petition:

(1) a record of the meeting, including copies of all information provided at the meeting;

(2) a copy of the mailing list provided by the county auditor and used to notify property owners of the meeting;

(3) a copy of the e-mail list used to notify property owners of the meeting;

(4) the printer's affidavit of publication of public meeting notice;

(5) an affidavit of posting the public meeting notice with information on dates and locations of posting; and

(6) minutes or other record of the public meeting documenting that the following topics were discussed: printer's affidavit of publication of each resolution, with copy of resolution from newspaper attached; and affidavit of resolution posting on town or existing sanitary district Web site.

(c) Every petition must be signed as follows:

(1) by an authorized officer of the existing sanitary district pursuant to a resolution of the board;

(2) for each municipality wherein there is a territorial unit of the existing sanitary district, by an authorized officer pursuant to a resolution of the municipal governing body;

(3) for each organized town wherein there is a territorial unit of the existing sanitary district, by an authorized officer pursuant to a resolution of the town board; and

(4) for each county wherein there is a territorial unit of the existing sanitary district consisting of an unorganized area, by an authorized officer pursuant to a resolution of the county board or by at least 20 percent of the voters residing and owning land within the unit.

(d) Each resolution must be published in the official newspaper of the governing body adopting it and becomes effective 40 days after publication, unless within said period there shall be filed with the governing body a petition signed by qualified electors of a territorial unit of the district, equal in number to five percent of the number of electors voting at the last preceding election of the governing body, requesting a referendum on the resolution, in which case the resolution may not become effective until approved by a majority of the qualified electors voting at a regular election or special election that the governing body may call. The notice of an election and the ballot to be used must contain the text of the resolution followed by the question: "Shall the above resolution be approved?"

(e) If any signer is alleged to be a landowner in a territorial unit, a statement as to the signer's landowner status as shown by the county auditor's tax assessment records, certified by the auditor, shall be attached to or endorsed upon the petition.

(f) At any time before publication of the public notice required in subdivision 3, additional signatures may be added to the petition or amendments of the petition may be made to correct or remedy any error or defect in signature or otherwise except a material error or defect in the description of the territory of the proposed dissolution area. If the qualifications of any signer of a petition are challenged, the chief administrative law judge shall determine the challenge forthwith on the allegations of the petition, the county auditor's certificate of land ownership, and such other evidence as may be received.

**Subd. 3. Notice of intent for sanitary district dissolution.** (a) Upon receipt of a petition and record of the public meeting required under subdivision 2, the chief administrative law judge shall publish a notice of intent of sanitary district dissolution in the State Register and mail or e-mail information of the publication to each property owner in the affected territory at the owner's address as given by the county auditor. The information must state the date that the notice will appear in the State Register and give the Web site location for the State Register. The notice must:

(1) describe the petition for sanitary district dissolution;

(2) describe the territory affected by the petition;

(3) allow 30 days for submission of written comments on the petition;

(4) state that a person who objects to the petition may submit a written request for hearing to the chief administrative law judge within 30 days of the publication of the notice in the State Register; and

(5) state that if a timely request for hearing is not received, the chief administrative law judge may make a decision on the petition.

(b) If 50 or more individual timely requests for hearing are received, the chief administrative law judge must hold a hearing on the petition according to the contested case provisions of chapter 14. The sanitary district dissolution proposers are responsible for paying all costs involved in publicizing and holding a hearing on the petition.

**Subd. 4. Hearing time, place.** If a hearing is required under subdivision 3, the chief administrative law judge shall designate a time and place for a hearing according to section 442A.13.

**Subd. 5. Relevant factors.** (a) In arriving at a decision, the chief administrative law judge shall consider the following factors:

(1) public health, safety, and welfare impacts for the proposed dissolution;

(2) alternatives for managing the public health impacts for the proposed dissolution;

(3) equities of the petition proposal;

(4) contours of the petition proposal; and

(5) public notification of and interaction on the petition proposal.

(b) Based upon these factors, the chief administrative law judge may order the dissolution of the sanitary district on finding that:

(1) the proposed dissolution area has adequate alternatives for managing public health impacts due to the dissolution;

(2) the sanitary district is not necessary to provide a long-term, equitable solution to pollution problems affecting public health, safety, and welfare;

(3) property owners within the sanitary district were provided notice of the proposed dissolution and opportunity to comment on the petition proposal; and

(4) the petition complied with the requirements of all applicable statutes and rules pertaining to sanitary district dissolution.

(c) The chief administrative law judge may alter the boundaries of the proposed dissolution area by increasing or decreasing the area to be included or may exclude property that may be better served by another unit of government. The chief administrative law judge may also alter the boundaries of the proposed dissolution area so as to follow visible, clearly recognizable physical features for municipal boundaries.

(d) The chief administrative law judge may deny sanitary district dissolution if the area, or a part thereof, would be better served by an alternative method.

(e) In all cases, the chief administrative law judge shall set forth the factors that are the basis for the decision.

**Subd. 6. Findings; order.** (a) After the public notice period or the public hearing, if required under subdivision 3, and based on the petition, any public comments received, and, if a hearing was held, the hearing record, the chief administrative law judge shall make findings of fact and conclusions determining whether the conditions requisite for the sanitary district dissolution exist in the territory described in the petition. If the chief administrative law judge finds that conditions exist, the judge may make an order for sanitary district dissolution for the territory described in the petition.

(b) If the chief administrative law judge determines that the conditions requisite for the creation of the district no longer exist therein, that all indebtedness of the district has been paid, and that all property of the district except funds has been disposed of, the judge may make an order dissolving the district and directing the distribution of its remaining funds, if any, among the related governmental subdivisions on such basis as the chief administrative law judge determines to be just and equitable, to be specified in the order.

**Subd. 7. Denial of petition.** If the chief administrative law judge, after conclusion of the public notice period or holding a hearing, if required, determines that the sanitary district dissolution in the territory described in the petition is not warranted, the judge shall make an order denying the petition. The chief administrative law judge shall give notice of the denial by mail or e-mail to each signer of the petition. No petition for the dissolution of a district consisting of the same territory shall be entertained within a year after the date of an order under this subdivision.

**Subd. 8. Notice of order for sanitary district dissolution.** The chief administrative law judge shall publish in the State Register a notice of the final order for sanitary district dissolution, referring to the date of the order and describing the territory of the dissolved district and shall mail or e-mail information of the publication to each property owner in the affected territory at the owner's address as given by the county auditor. The information must state the date that the notice will appear in the State Register and give the Web site location of the State Register. The notice must:

(1) describe the petition for dissolution of the district;

(2) describe the territory affected by the petition; and

(3) state that a certified copy of the order shall be delivered to the secretary of state for filing ten days after public notice of the order in the State Register.

Subd. 9. **Filing.** (a) Ten days after public notice of the order in the State Register, the chief administrative law judge shall deliver a certified copy of the order to the secretary of state for filing. Thereupon, the sanitary district dissolution is deemed complete, and it shall be conclusively presumed that all requirements of law relating thereto have been complied with. The chief administrative law judge shall also transmit a certified copy of the order for filing to the county auditor of each county and the clerk or recorder of each municipality and organized town wherein any part of the territory of the dissolved district is situated and to the secretary of the district board.

(b) The chief administrative law judge shall also transmit a certified copy of the order to the treasurer of the district, who must thereupon distribute the remaining funds of the district as directed by the order and who is responsible for the funds until so distributed.

Sec. 10. **[442A.08] JOINT PUBLIC INFORMATIONAL MEETING.**

There must be a joint public informational meeting of the local governments of any proposed sanitary district creation, annexation, detachment, or dissolution. The joint public informational meeting must be held after the final mediation meeting or the final meeting held according to section 442A.02, subdivision 8, if any, and before the hearing on the matter is held. If no mediation meetings are held, the joint public informational meeting must be held after the initiating documents have been filed and before the hearing on the matter. The time, date, and place of the public informational meeting must be determined jointly by the local governments in the proposed creation, annexation, detachment, or dissolution areas and by the sanitary district, if one exists. The chair of the sanitary district, if one exists, and the responsible official for one of the local governments represented at the meeting must serve as the co-chairs for the informational meeting. Notice of the time, date, place, and purpose of the informational meeting must be posted by the sanitary district, if one exists, and local governments in designated places for posting notices. The sanitary district, if one exists, and represented local governments must also publish, at their own expense, notice in their respective official newspapers. If the same official newspaper is used by multiple local government representatives or the sanitary district, a joint notice may be published and the costs evenly divided. All notice required by this section must be provided at least ten days before the date for the public informational meeting. At the public informational meeting, all persons appearing must have an opportunity to be heard, but the co-chairs may, by mutual agreement, establish the amount of time allowed for each speaker. The sanitary district board, the local government representatives, and any resident or affected property owner may be represented by counsel and may place into the record of the informational meeting documents, expert opinions, or other materials supporting their positions on issues raised by the proposed proceeding. The secretary of the sanitary district, if one exists, or a person appointed by the chair must record minutes of the proceedings of the informational meeting and must make an audio recording of the informational meeting. The sanitary district, if one exists, or a person appointed by the chair must provide the chief administrative law judge and the represented local governments with a copy of the printed minutes and must provide the chief administrative law judge and the represented local governments with a copy of the audio recording. The record of the informational meeting for a proceeding under section 442A.04, 442A.05, 442A.06, or 442A.07 is admissible in any proceeding under this chapter and shall be taken into consideration by the chief administrative law judge or the chief administrative law judge's designee.

Sec. 11. **[442A.09] ANNEXATION BY ORDER OF POLLUTION CONTROL AGENCY.**

Subdivision 1. **Annexation by ordinance alternative.** If a determination or order by the Minnesota Pollution Control Agency under section 115.49 or other similar statute is made that cooperation by contract is necessary and feasible between a sanitary district and an unincorporated area located outside the existing corporate limits of the sanitary district, the sanitary district required to provide or extend through a contract a governmental service to an unincorporated area, during the statutory 90-day period provided in section 115.49 to formulate a contract, may in the alternative to formulating a service contract to provide or extend the service, declare the unincorporated area described in the Minnesota Pollution Control Agency's determination letter or order annexed to the sanitary district by adopting an ordinance and submitting it to the chief administrative law judge.



Subd. 2. **Chief administrative law judge's role.** The chief administrative law judge may review and comment on the ordinance but shall approve the ordinance within 30 days of receipt. The ordinance is final and the annexation is effective on the date the chief administrative law judge approves the ordinance.

Sec. 12. **[442A.10] PETITIONERS TO PAY EXPENSES.**

Expenses of the preparation and submission of petitions in the proceedings under sections 442A.04 to 442A.09 shall be paid by the petitioners. Notwithstanding section 16A.1283, the Office of Administrative Hearings may adopt rules according to section 14.386 to establish fees necessary to support the preparation and submission of petitions in proceedings under sections 442A.04 to 442A.09. The fees collected by the Office of Administrative Hearings shall be deposited in the environmental fund.

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

Sec. 13. **[442A.11] TIME LIMITS FOR ORDERS; APPEALS.**

Subdivision 1. **Orders; time limit.** All orders in proceedings under this chapter shall be issued within one year from the date of the first hearing thereon, provided that the time may be extended for a fixed additional period upon consent of all parties of record. Failure to so order shall be deemed to be an order denying the matter. An appeal may be taken from such failure to so order in the same manner as an appeal from an order as provided in subdivision 2.

Subd. 2. **Grounds for appeal.** (a) Any person aggrieved by an order issued under this chapter may appeal to the district court upon the following grounds:

(1) the order was issued without jurisdiction to act;

(2) the order exceeded the jurisdiction of the presiding administrative law judge;

(3) the order was arbitrary, fraudulent, capricious, or oppressive or in unreasonable disregard of the best interests of the territory affected; or

(4) the order was based upon an erroneous theory of law.

(b) The appeal must be taken in the district court in the county in which the majority of the area affected is located. The appeal does not stay the effect of the order. All notices and other documents must be served on both the chief administrative law judge and the attorney general's assistant assigned to the chief administrative law judge for purposes of this chapter.

(c) If the court determines that the action involved is unlawful or unreasonable or is not warranted by the evidence in case an issue of fact is involved, the court may vacate or suspend the action involved, in whole or in part, as the case requires. The matter shall then be remanded for further action in conformity with the decision of the court.

(d) To render a review of an order effectual, the aggrieved person shall file with the court administrator of the district court of the county in which the majority of the area is located, within 30 days of the order, an application for review together with the grounds upon which the review is sought.

(e) An appeal lies from the district court as in other civil cases.

Sec. 14. **[442A.12] CHIEF ADMINISTRATIVE LAW JUDGE MAY APPEAL FROM DISTRICT COURT.**

An appeal may be taken under the Rules of Civil Appellate Procedure by the chief administrative law judge from a final order or judgment made or rendered by the district court when the chief administrative law judge determines that the final order or judgment adversely affects the public interest.

Sec. 15. **[442A.13] UNIFORM PROCEDURES.**

Subdivision 1. **Hearings.** (a) Proceedings initiated by the submission of an initiating document or by the chief administrative law judge shall come on for hearing within 30 to 60 days from receipt of the document by the chief administrative law judge or from the date of the chief administrative law judge's action and the person conducting the hearing must submit an order no later than one year from the date of the first hearing.

(b) The place of the hearing shall be in the county where a majority of the affected territory is situated, and shall be established for the convenience of the parties.

(c) The chief administrative law judge shall mail notice of the hearing to the following parties: the sanitary district; any township or municipality presently governing the affected territory; any township or municipality abutting the affected territory; the county where the affected territory is situated; and each planning agency that has jurisdiction over the affected area.

(d) The chief administrative law judge shall see that notice of the hearing is published for two successive weeks in a legal newspaper of general circulation in the affected area.

(e) When the chief administrative law judge exercises authority to change the boundaries of the affected area so as to increase the quantity of land, the hearing shall be recessed and reconvened upon two weeks' published notice in a legal newspaper of general circulation in the affected area.

Subd. 2. **Transmittal of order.** The chief administrative law judge shall see that copies of the order are mailed to all parties entitled to mailed notice of hearing under subdivision 1, individual property owners if initiated in that manner, and any other party of record.

Sec. 16. **[442A.14] DISTRICT BOARD OF MANAGERS.**

Subdivision 1. **Composition.** The governing body of each district shall be a board of managers of five members, who shall be voters residing in the district and who may but need not be officers, members of governing bodies, or employees of the related governmental subdivisions, except that when there are more than five territorial units in a district, there must be one board member for each unit.

Subd. 2. **Terms.** The terms of the first board members elected after creation of a district shall be so arranged and determined by the electing body as to expire on the first business day in January as follows:

(1) the terms of two members in the second calendar year after the year in which they were elected;

(2) the terms of two other members in the third calendar year after the year in which they were elected; and

(3) the term of the remaining member in the fourth calendar year after the year in which the member was elected. In case a board has more than five members, the additional members shall be assigned to the groups under clauses (1) to (3) to equalize the groups as far as practicable. Thereafter, board members shall be elected successively for regular terms beginning upon expiration of the preceding terms and expiring on the first business day in January of the third calendar year thereafter. Each board member serves until a successor is elected and has qualified.

Subd. 3. **Election of board.** In a district having only one territorial unit, all the members of the board shall be elected by the related governing body. In a district having more than one territorial unit, the members of the board shall be elected by the members of the related governing bodies in joint session except as otherwise provided. The electing bodies concerned shall meet and elect the first board members of a new district as soon as practicable after creation of the district and shall meet and elect board members for succeeding regular terms as soon as practicable after November 1 next preceding the beginning of the terms to be filled, respectively.

Subd. 4. **Central related governing body.** Upon the creation of a district having more than one territorial unit, the chief administrative law judge, on the basis of convenience for joint meeting purposes, shall designate one of the related governing bodies as the central related governing body in the order creating the district or in a subsequent special order, of which the chief administrative law judge shall notify the clerks or recorders of all the related governing bodies. Upon receipt of the notification, the clerk or recorder of the central related governing body shall immediately transmit the notification to the presiding officer of the body. The officer shall thereupon call a joint meeting of the members of all the related governing bodies to elect board members, to be held at such time as the officer shall fix at the regular meeting place of the officer's governing body or at such other place in the district as the officer shall determine. The clerk or recorder of the body must give at least ten days' notice of the meeting by mail to the clerks or recorders of all the other related governing bodies, who shall immediately transmit the notice to all the members of the related governing bodies, respectively. Subsequent joint meetings to elect board members for regular terms must be called and held in like manner. The presiding officer and the clerk or recorder of the central related governing body shall act respectively as chair and secretary of the joint electing body at any meeting thereof, but in case of the absence or disability of either of them, the body may elect a temporary substitute. A majority of the members of each related governing body is required for a quorum at any meeting of the joint electing body.

Subd. 5. **Nominations.** Nominations for board members may be made by petitions, each signed by ten or more voters residing and owning land in the district, filed with the clerk, recorder, or secretary of the electing body before the election meeting. No person shall sign more than one petition. The electing body shall give due consideration to all nominations but is not limited thereto.

Subd. 6. **Election; single governing body.** In the case of an electing body consisting of a single related governing body, a majority vote of all members is required for an election. In the case of a joint electing body, a majority vote of members present is required for an election. In case of lack of a quorum or failure to elect, a meeting of an electing body may be adjourned to a stated time and place without further notice.

Subd. 7. **Election; multiple governing bodies.** In any district having more than one territorial unit, the related governing bodies, instead of meeting in joint session, may elect a board member by resolutions adopted by all of them separately, concurring in the election of the same person. A majority vote of all members of each related governing body is required for the adoption of any such resolution. The clerks or recorders of the other related governing bodies shall transmit certified copies of the resolutions to the clerk or recorder of the central related governing body. Upon receipt of concurring resolutions from all the related governing bodies, the presiding officer and clerk or recorder of the central related governing body shall certify the results and furnish certificates of election as provided for a joint meeting.

Subd. 8. **Vacancies.** Any vacancy in the membership of a board must be filled for the unexpired term in like manner as provided for the regular election of board members.

Subd. 9. **Certification of election; temporary chair.** The presiding and recording officers of the electing body shall certify the results of each election to the county auditor of each county wherein any part of the district is situated and to the clerk or recorder of each related governing body and shall make and transmit to each board member elected a certificate of the board member's election. Upon electing the first board members of a district, the presiding officer of the electing body shall designate a member to serve as temporary chair for purposes of initial organization of the board, and the recording officer of the body shall include written notice thereof to all the board members with their certificates of election.

Sec. 17. **[442A.15] BOARD ORGANIZATION AND PROCEDURES.**

**Subdivision 1. Initial, annual meetings.** As soon as practicable after the election of the first board members of a district, the board shall meet at the call of the temporary chair to elect officers and take other appropriate action for organization and administration of the district. Each board shall hold a regular annual meeting at the call of the chair or otherwise as the board prescribes on or as soon as practicable after the first business day in January of each year and such other regular and special meetings as the board prescribes.

**Subd. 2. Officers.** The officers of each district shall be a chair and a vice-chair, who shall be members of the board, and a secretary and a treasurer, who may but need not be members of the board. The board of a new district at its initial meeting or as soon thereafter as practicable shall elect the officers to serve until the first business day in January next following. Thereafter, the board shall elect the officers at each regular annual meeting for terms expiring on the first business day in January next following. Each officer serves until a successor is elected and has qualified.

**Subd. 3. Meeting place; offices.** The board at its initial meeting or as soon thereafter as practicable shall provide for suitable places for board meetings and for offices of the district officers and may change the same thereafter as the board deems advisable. The meeting place and offices may be the same as those of any related governing body, with the approval of the body. The secretary of the board shall notify the secretary of state, the county auditor of each county wherein any part of the district is situated, and the clerk or recorder of each related governing body of the locations and post office addresses of the meeting place and offices and any changes therein.

**Subd. 4. Budget.** At any time before the proceeds of the first tax levy in a district become available, the district board may prepare a budget comprising an estimate of the expenses of organizing and administering the district until the proceeds are available, with a proposal for apportionment of the estimated amount among the related governmental subdivisions, and may request the governing bodies thereof to advance funds according to the proposal. The governing bodies may authorize advancement of the requested amounts, or such part thereof as they respectively deem proper, from any funds available in their respective treasuries. The board shall include in its first tax levy after receipt of any such advancements a sufficient sum to cover the same and shall cause the same to be repaid, without interest, from the proceeds of taxes as soon as received.

Sec. 18. **[442A.16] DISTRICT STATUS AND POWERS.**

**Subdivision 1. Status.** Every district shall be a public corporation and a governmental subdivision of the state and shall be deemed to be a municipality or municipal corporation for the purpose of obtaining federal or state grants or loans or otherwise complying with any provision of federal or state law or for any other purpose relating to the powers and purposes of the district for which such status is now or hereafter required by law.

**Subd. 2. Powers and purpose.** Every district shall have the powers and purposes prescribed by this chapter and such others as may now or hereafter be prescribed by law. No express grant of power or enumeration of powers herein shall be deemed to limit the generality or scope of any grant of power.

**Subd. 3. Scope of powers and duties.** Except as otherwise provided, a power or duty vested in or imposed upon a district or any of its officers, agents, or employees shall not be deemed exclusive and shall not supersede or abridge any power or duty vested in or imposed upon any other agency of the state or any governmental subdivision thereof, but shall be supplementary thereto.

**Subd. 4. Exercise of power.** All the powers of a district shall be exercised by its board of managers except so far as approval of any action by popular vote or by any other authority may be expressly required by law.

**Subd. 5. Lawsuits; contracts.** A district may sue and be sued and may enter into any contract necessary or proper for the exercise of its powers or the accomplishment of its purposes.

Subd. 6. **Property acquisition.** A district may acquire by purchase, gift, or condemnation or may lease or rent any real or personal property within or without the district that may be necessary for the exercise of district powers or the accomplishment of district purposes, may hold the property for such purposes, and may lease, rent out, sell, or otherwise dispose of any property not needed for such purposes.

Subd. 7. **Acceptance of money or property.** A district may accept gifts, grants, or loans of money or other property from the United States, the state, or any person, corporation, or other entity for district purposes; may enter into any agreement required in connection therewith; and may hold, use, and dispose of the money or property according to the terms of the gift, grant, loan, or agreement relating thereto.

Sec. 19. **[442A.17] SPECIFIC PURPOSES AND POWERS.**

Subdivision 1. **Pollution prevention.** A district may construct, install, improve, maintain, and operate any system, works, or facilities within or without the district required to control and prevent pollution of any waters of the state within its territory.

Subd. 2. **Sewage disposal.** A district may construct, install, improve, maintain, and operate any system, works, or facilities within or without the district required to provide for, regulate, and control the disposal of sewage, industrial waste, and other waste originating within its territory. The district may require any person upon whose premises there is any source of sewage, industrial waste, or other waste within the district to connect the premises with the disposal system, works, or facilities of the district whenever reasonable opportunity therefor is provided.

Subd. 3. **Garbage, refuse disposal.** A district may construct, install, improve, maintain, and operate any system, works, or facilities within or without the district required to provide for, regulate, and control the disposal of garbage or refuse originating within the district. The district may require any person upon whose premises any garbage or refuse is produced or accumulated to dispose of the garbage or refuse through the system, works, or facilities of the district whenever reasonable opportunity therefor is provided.

Subd. 4. **Water supply.** A district may procure supplies of water necessary for any purpose under subdivisions 1 to 3 and may construct, install, improve, maintain, and operate any system, works, or facilities required therefor within or without the district.

Subd. 5. **Roads.** (a) To maintain the integrity of and facilitate access to district systems, works, or facilities, the district may maintain and repair a road by agreement with the entity that was responsible for the performance of maintenance and repair immediately prior to the agreement. Maintenance and repair includes but is not limited to providing lighting, snow removal, and grass mowing.

(b) A district shall establish a taxing subdistrict of benefited property and shall levy special taxes, pursuant to section 442A.24, subdivision 2, for the purposes of paying the cost of improvement or maintenance of a road under paragraph (a).

(c) For purposes of this subdivision, a district shall not be construed as a road authority under chapter 160.

(d) The district and its officers and employees are exempt from liability for any tort claim for injury to person or property arising from travel on a road maintained by the district and related to the road's maintenance or condition.

Sec. 20. **[442A.18] DISTRICT PROJECTS AND FACILITIES.**

Subdivision 1. **Public property.** For the purpose of constructing, improving, maintaining, or operating any system, works, or facilities designed or used for any purpose under section 442A.17, a district, its officers, agents, employees, and contractors may enter, occupy, excavate, and otherwise operate in, upon, under, through, or along any public

highway, including a state trunk highway, or any street, park, or other public grounds so far as necessary for such work, with the approval of the governing body or other authority in charge of the public property affected and on such terms as may be agreed upon with the governing body or authority respecting interference with public use, restoration of previous conditions, compensation for damages, and other pertinent matters. If an agreement cannot be reached after reasonable opportunity therefor, the district may acquire the necessary rights, easements, or other interests in the public property by condemnation, subject to all applicable provisions of law as in case of taking private property, upon condition that the court shall determine that there is paramount public necessity for the acquisition.

**Subd. 2. Use of other systems.** A district may, upon such terms as may be agreed upon with the respective governing bodies or authorities concerned, provide for connecting with or using; lease; or acquire and take over any system, works, or facilities for any purpose under section 442A.17 belonging to any other governmental subdivision or other public agency.

**Subd. 3. Use by other governmental bodies.** A district may, upon such terms as may be agreed upon with the respective governing bodies or authorities concerned, authorize the use by any other governmental subdivision or other public agency of any system, works, or facilities of the district constructed for any purpose under section 442A.17 so far as the capacity thereof is sufficient beyond the needs of the district. A district may extend any such system, works, or facilities and permit the use thereof by persons outside the district, so far as the capacity thereof is sufficient beyond the needs of the district, upon such terms as the board may prescribe.

**Subd. 4. Joint projects.** A district may be a party to a joint cooperative project, undertaking, or enterprise with one or more other governmental subdivisions or other public agencies for any purpose under section 442A.17 upon such terms as may be agreed upon between the governing bodies or authorities concerned. Without limiting the effect of the foregoing provision or any other provision of this chapter, a district, with respect to any of said purposes, may act under and be subject to section 471.59, or any other appropriate law providing for joint or cooperative action between governmental subdivisions or other public agencies.

**Sec. 21. [442A.19] CONTROL OF SANITARY FACILITIES.**

A district may regulate and control the construction, maintenance, and use of privies, cesspools, septic tanks, toilets, and other facilities and devices for the reception or disposal of human or animal excreta or other domestic wastes within its territory so far as necessary to prevent nuisances or pollution or to protect the public health, safety, and welfare and may prohibit the use of any such facilities or devices not connected with a district disposal system, works, or facilities whenever reasonable opportunity for such connection is provided; provided, that the authority of a district under this section does not extend or apply to the construction, maintenance, operation, or use by any person other than the district of any disposal system or part thereof within the district under and in accordance with a valid and existing permit issued by the Minnesota Pollution Control Agency.

**Sec. 22. [442A.20] DISTRICT PROGRAMS, SURVEYS, AND STUDIES.**

A district may develop general programs and particular projects within the scope of its powers and purposes and may make all surveys, studies, and investigations necessary for the programs and projects.

**Sec. 23. [442A.21] GENERAL AND MUNICIPALITY POWERS.**

A district may do and perform all other acts and things necessary or proper for the effectuation of its powers and the accomplishment of its purposes. Without limiting the effect of the foregoing provision or any other provision of this chapter, a district, with respect to each and all of said powers and purposes, shall have like powers as are vested in municipalities with respect to any similar purposes. The exercise of such powers by a district and all matters pertaining thereto are governed by the law relating to the exercise of similar powers by municipalities and matters pertaining thereto, so far as applicable, with like force and effect, except as otherwise provided.

Sec. 24. **[442A.22] ADVISORY COMMITTEE.**

A district board of managers may appoint an advisory committee with membership and duties as the board prescribes.

Sec. 25. **[442A.23] BOARD POWERS.**

Subdivision 1. **Generally.** The board of managers of every district shall have charge and control of all the funds, property, and affairs of the district. With respect thereto, the board has the same powers and duties as are provided by law for a municipality with respect to similar municipal matters, except as otherwise provided. Except as otherwise provided, the chair, vice-chair, secretary, and treasurer of the district have the same powers and duties, respectively, as the mayor, acting mayor, clerk, and treasurer of a municipality. Except as otherwise provided, the exercise of the powers and the performance of the duties of the board and officers of the district and all other activities, transactions, and procedures of the district or any of its officers, agents, or employees, respectively, are governed by the law relating to similar matters in a municipality, so far as applicable, with like force and effect.

Subd. 2. **Regulation of district.** The board may enact ordinances, prescribe regulations, adopt resolutions, and take other appropriate action relating to any matter within the powers and purposes of the district and may do and perform all other acts and things necessary or proper for the effectuation of said powers and the accomplishment of said purposes. The board may provide that violation of a district ordinance is a penal offense and may prescribe penalties for violations, not exceeding those prescribed by law for violation of municipal ordinances.

Subd. 3. **Arrest; prosecution.** (a) Violations of district ordinances may be prosecuted before any court having jurisdiction of misdemeanors. Any peace officer may make arrests for violations committed anywhere within the district in the same manner as for violations of city ordinances or for statutory misdemeanors.

(b) All fines collected shall be deposited in the treasury of the district.

Sec. 26. **[442A.24] TAX LEVIES, ASSESSMENTS, AND SERVICE CHARGES.**

Subdivision 1. **Tax levies.** The board may levy taxes for any district purpose on all property taxable within the district.

Subd. 2. **Particular area.** In the case where a particular area within the district, but not the entire district, is benefited by a system, works, or facilities of the district, the board, after holding a public hearing as provided by law for levying assessments on benefited property, shall by ordinance establish such area as a taxing subdistrict, to be designated by number, and shall levy special taxes on all the taxable property therein, to be accounted for separately and used only for the purpose of paying the cost of construction, improvement, acquisition, maintenance, or operation of such system, works, or facilities, or paying the principal and interest on bonds issued to provide funds therefor and expenses incident thereto. The hearing may be held jointly with a hearing for the purpose of levying assessments on benefited property within the proposed taxing subdistrict.

Subd. 3. **Benefited property.** The board shall levy assessments on benefited property to provide funds for payment of the cost of construction, improvement, or acquisition of any system, works, or facilities designed or used for any district purpose or for payment of the principal of and interest on any bonds issued therefor and expenses incident thereto.

Subd. 4. **Service charges.** The board shall prescribe service, use, or rental charges for persons or premises connecting with or making use of any system, works, or facilities of the district; prescribe the method of payment and collection of the charges; and provide for the collection thereof for the district by any related governmental subdivision or other public agency on such terms as may be agreed upon with the governing body or other authority thereof.

Sec. 27. **[442A.25] BORROWING POWERS; BONDS.**

Subdivision 1. **Borrowing power.** The board may authorize the borrowing of money for any district purpose and provide for the repayment thereof, subject to chapter 475. The taxes initially levied by any district according to section 475.61 for the payment of district bonds, upon property within each municipality included in the district, shall be included in computing the levy of the municipality.

Subd. 2. **Bond issuance.** The board may authorize the issuance of bonds or obligations of the district to provide funds for the construction, improvement, or acquisition of any system, works, or facilities for any district purpose or for refunding any prior bonds or obligations issued for any such purpose and may pledge the full faith and credit of the district; the proceeds of tax levies or assessments; service, use, or rental charges; or any combination thereof to the payment of such bonds or obligations and interest thereon or expenses incident thereto. An election or vote of the people of the district is required to authorize the issuance of any bonds or obligations. Except as otherwise provided in this chapter, the forms and procedures for issuing and selling bonds and provisions for payment thereof must comply with chapter 475.

Sec. 28. **[442A.26] FUNDS; DISTRICT TREASURY.**

The proceeds of all tax levies, assessments, service, use, or rental charges, and other income of the district must be deposited in the district treasury and must be held and disposed of as the board may direct for district purposes, subject to any pledges or dedications made by the board for the use of particular funds for the payment of bonds, interest thereon, or expenses incident thereto or for other specific purposes.

Sec. 29. **[442A.27] EFFECT OF DISTRICT ORDINANCES AND FACILITIES.**

In any case where an ordinance is enacted or a regulation adopted by a district board relating to the same subject matter and applicable in the same area as an existing ordinance or regulation of a related governmental subdivision for the district, the district ordinance or regulation, to the extent of its application, supersedes the ordinance or regulation of the related governmental subdivision. In any case where an area within a district is served for any district purpose by a system, works, or facilities of the district, no system, works, or facilities shall be constructed, maintained, or operated for the same purpose in the same area by any related governmental subdivision or other public agency except as approved by the district board.

Sec. 30. **[442A.28] APPLICATION.**

This chapter does not abridge or supersede any authority of the Minnesota Pollution Control Agency or the commissioner of health, but is subject and supplementary thereto. Districts and members of district boards are subject to the authority of the Minnesota Pollution Control Agency and have no power or authority to abate or control pollution that is permitted by and in accord with any classification of waters, standards of water quality, or permit established, fixed, or issued by the Minnesota Pollution Control Agency.

Sec. 31. **[442A.29] CHIEF ADMINISTRATIVE LAW JUDGE'S POWERS.**

Subdivision 1. **Alternative dispute resolution.** (a) Notwithstanding sections 442A.01 to 442A.28, before assigning a matter to an administrative law judge for hearing, the chief administrative law judge, upon consultation with affected parties and considering the procedures and principles established in sections 442A.01 to 442A.28, may require that disputes over proposed sanitary district creations, attachments, detachments, or dissolutions be addressed in whole or in part by means of alternative dispute resolution processes in place of, or in connection with, hearings that would otherwise be required under sections 442A.01 to 442A.28, including those provided in chapter 14.



(b) In all proceedings, the chief administrative law judge has the authority and responsibility to conduct hearings and issue final orders related to the hearings under sections 442A.01 to 442A.28.

Subd. 2. **Cost of proceedings.** (a) The parties to any matter directed to alternative dispute resolution under subdivision 1 must pay the costs of the alternative dispute resolution process or hearing in the proportions that the parties agree to.

(b) Notwithstanding section 14.53 or other law, the Office of Administrative Hearings is not liable for the costs.

(c) If the parties do not agree to a division of the costs before the commencement of mediation, arbitration, or hearing, the costs must be allocated on an equitable basis by the mediator, arbitrator, or chief administrative law judge.

(d) The chief administrative law judge may contract with the parties to a matter for the purpose of providing administrative law judges and reporters for an administrative proceeding or alternative dispute resolution.

(e) The chief administrative law judge shall assess the cost of services rendered by the Office of Administrative Hearings as provided by section 14.53.

Subd. 3. **Parties.** In this section, "party" means:

(1) a property owner, group of property owners, sanitary district, municipality, or township that files an initiating document or timely objection under this chapter;

(2) the sanitary district, municipality, or township within which the subject area is located;

(3) a municipality abutting the subject area; and

(4) any other person, group of persons, or governmental agency residing in, owning property in, or exercising jurisdiction over the subject area that submits a timely request and is determined by the presiding administrative law judge to have a direct legal interest that will be affected by the outcome of the proceeding.

Subd. 4. **Effectuation of agreements.** Matters resolved or agreed to by the parties as a result of an alternative dispute resolution process, or otherwise, may be incorporated into one or more stipulations for purposes of further proceedings according to the applicable procedures and statutory criteria of this chapter.

Subd. 5. **Limitations on authority.** Nothing in this section shall be construed to permit a sanitary district, municipality, town, or other political subdivision to take, or agree to take, an action that is not otherwise authorized by this chapter.

Sec. 32. **REPEALER.**

Minnesota Statutes 2012, sections 115.18, subdivisions 1, 3, 4, 5, 6, 7, 8, 9, and 10; 115.19; 115.20; 115.21; 115.22; 115.23; 115.24; 115.25; 115.26; 115.27; 115.28; 115.29; 115.30; 115.31; 115.32; 115.33; 115.34; 115.35; 115.36; and 115.37, are repealed.

Sec. 33. **EFFECTIVE DATE.**

Unless otherwise provided in this article, sections 1 to 32 are effective August 1, 2013."

Delete the title and insert:

"A bill for an act relating to state government; appropriating money for environment, natural resources, and agriculture; modifying and providing for disposition of certain revenue; modifying pesticide control; providing certain fee exemptions; establishing agricultural water certification program; modifying Minnesota Noxious Weed Law; providing for biobased and biofuel products; modifying certain bond requirements; modifying animal waste technician provisions; making technical changes; modifying certain permit requirements; providing for federal law compliance; providing for certain easements; modifying all-terrain vehicle operating provisions; establishing pollinator habitat program; modifying snowmobile registration provisions; modifying state trails; modifying State Timber Act; modifying certain park boundaries and expenditures; modifying reporting requirements; modifying Petroleum Tank Release Cleanup Act; providing for silica sand mining model standards and technical assistance; providing for wastewater laboratory certification; providing for product stewardship program; providing for discontinuance of Hennepin County Soil and Water Conservation District; authorizing recreation of Hall's Island; providing for certain interim ordinance extension or renewal; repealing certain pollution control rules; modifying certain environmental review; modifying Water Law; modifying public utilities provisions; providing certain criteria for wastewater treatment systems; providing for sanitary districts; requiring studies and reports; requiring rulemaking; amending Minnesota Statutes 2012, sections 13.6435, by adding a subdivision; 13.7411, subdivision 4; 17.03, subdivision 3; 17.1015; 17.118, subdivision 2; 18.77, subdivisions 3, 4, 10, 12; 18.78, subdivision 3; 18.79, subdivisions 6, 13; 18.82, subdivision 1; 18.91, subdivisions 1, 2; 18B.01, by adding a subdivision; 18B.07, subdivisions 4, 5, 7; 18B.26, subdivision 3; 18B.305; 18B.316, subdivisions 1, 3, 4, 8, 9; 18B.37, subdivision 4; 18C.111, subdivision 4; 18C.430; 18C.433, subdivision 1; 31.94; 41A.10, subdivision 2, by adding a subdivision; 41A.105, subdivisions 1a, 3, 5; 41A.12, subdivision 3, by adding a subdivision; 41B.04, subdivision 9; 41D.01, subdivision 4; 84.027, by adding a subdivision; 84.415, by adding a subdivision; 84.63; 84.82, subdivision 3, by adding a subdivision; 84.8205, subdivision 1; 84.922, by adding a subdivision; 84.9256, subdivision 1; 84.928, subdivision 1; 84D.108, subdivision 2; 85.015, subdivision 13; 85.052, subdivision 6; 85.053, subdivision 8; 85.054, by adding a subdivision; 85.055, subdivisions 1, 2; 85.42; 89.0385; 90.01, subdivisions 4, 5, 6, 8, 11; 90.031, subdivision 4; 90.041, subdivisions 2, 5, 6, 9, by adding subdivisions; 90.045; 90.061, subdivision 8; 90.101, subdivision 1; 90.121; 90.145; 90.151, subdivisions 1, 2, 3, 4, 6, 7, 8, 9; 90.161; 90.162; 90.171; 90.181, subdivision 2; 90.191, subdivision 1; 90.193; 90.195; 90.201, subdivision 2a; 90.211; 90.221; 90.252, subdivision 1; 90.301, subdivisions 2, 4; 90.41, subdivision 1; 93.46, by adding a subdivision; 93.481, subdivision 3; 97A.401, subdivision 3; 103G.265, subdivisions 2, 3; 103G.271, subdivisions 1, 4; 103G.287, subdivisions 1, 4, 5; 103I.205, subdivision 1; 114D.50, subdivision 4; 115A.1320, subdivision 1; 115B.20, subdivision 6; 115B.28, subdivision 1; 115B.421; 115C.02, subdivision 4; 115C.08, subdivision 4, by adding a subdivision; 115D.10; 116.48, subdivision 6; 116C.03, subdivisions 2, 4, 5; 116D.04, by adding a subdivision; 116J.437, subdivision 1; 223.17, by adding a subdivision; 232.22, by adding a subdivision; 239.051, by adding subdivisions; 239.761, subdivision 3; 239.791, subdivisions 1, 2a, 2b; 239.7911; 275.066; 282.04, subdivision 1; 296A.01, by adding a subdivision; 473.846; 583.215; Laws 2010, chapter 215, article 3, section 3, subdivision 6, as amended; Laws 2010, chapter 361, article 3, section 7; proposing coding for new law in Minnesota Statutes, chapters 17; 18; 84; 90; 93; 103G; 115; 115A; 116C; 383B; proposing coding for new law as Minnesota Statutes, chapter 442A; repealing Minnesota Statutes 2012, sections 18.91, subdivisions 3, 5; 18B.07, subdivision 6; 90.163; 90.173; 90.41, subdivision 2; 103G.265, subdivision 2a; 115.18, subdivisions 1, 3, 4, 5, 6, 7, 8, 9, 10; 115.19; 115.20; 115.21; 115.22; 115.23; 115.24; 115.25; 115.26; 115.27; 115.28; 115.29; 115.30; 115.31; 115.32; 115.33; 115.34; 115.35; 115.36; 115.37; 239.791, subdivision 1a; Laws 2011, First Special Session chapter 2, article 4, section 30; Minnesota Rules, parts 7021.0010, subparts 1, 2, 4, 5; 7021.0020; 7021.0030; 7021.0040; 7021.0050, subpart 5; 9210.0300; 9210.0310; 9210.0320; 9210.0330; 9210.0340; 9210.0350; 9210.0360; 9210.0370; 9210.0380; 9220.0530, subpart 6."

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

House Conferees: JEAN WAGENIUS, DAVID DILL, JEANNE POPPE, RICK HANSEN and ANDREW FALK.

Senate Conferees: DAVID J. TOMASSONI, TOM SAXHAUG, DAN SPARKS and JAMES P. METZEN.

Wagenius moved that the report of the Conference Committee on H. F. No. 976 be adopted and that the bill be repassed as amended by the Conference Committee.

A roll call was requested and properly seconded.

The question was taken on the Wagenius motion and the roll was called. There were 73 yeas and 59 nays as follows:

Those who voted in the affirmative were:

Allen	Erhardt	Isaacson	Marquart	Paymar	Sundin
Anzelc	Erickson, R.	Johnson, C.	Masin	Pelowski	Urdahl
Atkins	Falk	Johnson, S.	McNamar	Persell	Wagenius
Benson, J.	Faust	Kahn	Melin	Poppe	Ward, J.A.
Bernardy	Fischer	Laine	Metsa	Radinovich	Ward, J.E.
Bly	Freiberg	Lenczewski	Moran	Rosenthal	Winkler
Brynaert	Fritz	Lesch	Morgan	Savick	Yarusso
Carlson	Halverson	Liebling	Mullery	Sawatzky	Spk. Thissen
Clark	Hansen	Lien	Murphy, E.	Schoen	
Davnie	Hausman	Lillie	Murphy, M.	Selcer	
Dehn, R.	Hilstrom	Loeffler	Nelson	Simon	
Dill	Hortman	Mahoney	Newton	Simonson	
Dorholt	Huntley	Mariani	Norton	Slocum	

Those who voted in the negative were:

Abeler	Davids	Gruenhagen	Kieffer	Nornes	Scott
Albright	Dean, M.	Gunther	Kiel	O'Driscoll	Swedzinski
Anderson, M.	Dettmer	Hackbarth	Kresha	O'Neill	Theis
Anderson, P.	Drazkowski	Hamilton	Leidiger	Peppin	Torkelson
Anderson, S.	Erickson, S.	Hertaus	Lohmer	Petersburg	Uglen
Barrett	Fabian	Holberg	Loon	Pugh	Wills
Beard	FitzSimmons	Hoppe	Mack	Quam	Woodard
Benson, M.	Franson	Howe	McNamara	Runbeck	Zellers
Cornish	Garofalo	Johnson, B.	Myhra	Sanders	Zerwas
Daudt	Green	Kelly	Newberger	Schomacker	

The motion prevailed.

The Speaker called Hortman to the Chair.

H. F. No. 976, A bill for an act relating to state government; appropriating money for environment, natural resources, and agriculture; modifying and providing for certain fees; modifying and providing for disposition of certain revenue; creating accounts; modifying payment of certain costs; modifying grant programs; providing for agricultural water quality certification; modifying Minnesota Noxious Weed Law; modifying pesticide control; modifying animal waste technician provisions; modifying certain renewable energy and biofuel provisions; modifying bonding requirements for grain buyers and grain storage; making technical changes; modifying certain permit requirements; providing for federal law compliance; providing for certain easements; establishing pollinator habitat program; modifying state trails; modifying all-terrain vehicle operating provisions; modifying State Timber Act; modifying water use requirements; modifying certain park boundaries; modifying reporting requirements; modifying Petroleum Tank Release Cleanup Act; providing for silica sand mining model standards and technical assistance; establishing criteria for wastewater treatment system projects; providing for wastewater laboratory certification; providing for product stewardship programs; modifying Minnesota Power Plant Siting Act; providing for sanitary districts; requiring groundwater sustainability recommendations; requiring rulemaking; amending Minnesota Statutes 2012, sections 17.03, subdivision 3; 17.1015; 17.118, subdivision 2; 18.77, subdivisions 3, 4, 10,

12; 18.78, subdivision 3; 18.79, subdivisions 6, 13; 18.82, subdivision 1; 18.91, subdivisions 1, 2; 18B.01, by adding a subdivision; 18B.065, subdivision 2a; 18B.07, subdivisions 4, 5, 7; 18B.26, subdivision 3; 18B.305; 18B.316, subdivisions 1, 3, 4, 8, 9; 18B.37, subdivision 4; 18C.430; 18C.433, subdivision 1; 31.94; 41A.10, subdivision 2, by adding a subdivision; 41A.105, subdivisions 1a, 3, 5; 41A.12, by adding a subdivision; 41B.04, subdivision 9; 41D.01, subdivision 4; 84.027, by adding a subdivision; 84.82, by adding a subdivision; 84.922, by adding a subdivision; 84.9256, subdivision 1; 84.928, subdivision 1; 84D.108, subdivision 2; 85.015, subdivision 13; 85.052, subdivision 6; 85.054, by adding a subdivision; 85.055, subdivisions 1, 2; 85.42; 89.0385; 89.17; 90.01, subdivisions 4, 5, 6, 8, 11; 90.031, subdivision 4; 90.041, subdivisions 2, 5, 6, 9, by adding subdivisions; 90.045; 90.061, subdivision 8; 90.101, subdivision 1; 90.121; 90.145; 90.151, subdivisions 1, 2, 3, 4, 6, 7, 8, 9; 90.161; 90.162; 90.171; 90.181, subdivision 2; 90.191, subdivision 1; 90.193; 90.195; 90.201, subdivision 2a; 90.211; 90.221; 90.252, subdivision 1; 90.301, subdivisions 2, 4; 90.41, subdivision 1; 92.50; 93.17, subdivision 1; 93.1925, subdivision 2; 93.25, subdivision 2; 93.285, subdivision 3; 93.46, by adding a subdivision; 93.481, subdivisions 3, 5, by adding subdivisions; 93.482; 97A.401, subdivision 3; 103G.265, subdivisions 2, 3; 103G.271, subdivisions 1, 4, 6; 103G.282; 103G.287, subdivisions 1, 4, 5; 103G.615, subdivision 2; 103I.205, subdivision 1; 103I.601, by adding a subdivision; 114D.50, subdivision 4; 115A.1320, subdivision 1; 115B.20, subdivision 6; 115B.28, subdivision 1; 115C.02, subdivision 4; 115C.08, subdivision 4, by adding a subdivision; 115D.10; 116.48, subdivision 6; 116C.03, subdivisions 2, 4, 5; 116D.04, by adding a subdivision; 116J.437, subdivision 1; 168.1296, subdivision 1; 216E.12, subdivision 4; 223.17, by adding a subdivision; 232.22, by adding a subdivision; 239.051, by adding subdivisions; 239.791, subdivisions 1, 2a, 2b; 239.7911; 275.066; 296A.01, subdivision 19, by adding a subdivision; 473.846; Laws 2012, chapter 249, section 11; proposing coding for new law in Minnesota Statutes, chapters 17; 18; 84; 90; 93; 115; 115A; 116C; proposing coding for new law as Minnesota Statutes, chapter 442A; repealing Minnesota Statutes 2012, sections 18.91, subdivisions 3, 5; 18B.07, subdivision 6; 90.163; 90.173; 90.41, subdivision 2; 103G.265, subdivision 2a; 115.18, subdivisions 1, 3, 4, 5, 6, 7, 8, 9, 10; 115.19; 115.20; 115.21; 115.22; 115.23; 115.24; 115.25; 115.26; 115.27; 115.28; 115.29; 115.30; 115.31; 115.32; 115.33; 115.34; 115.35; 115.36; 115.37; 239.791, subdivision 1a; Minnesota Rules, parts 7021.0010, subparts 1, 2, 4, 5; 7021.0020; 7021.0030; 7021.0040; 7021.0050, subpart 5; 9210.0300; 9210.0310; 9210.0320; 9210.0330; 9210.0340; 9210.0350; 9210.0360; 9210.0370; 9210.0380; 9220.0530, subpart 6.

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

The question was taken on the repassage of the bill and the roll was called. There were 71 yeas and 60 nays as follows:

Those who voted in the affirmative were:

Allen	Erhardt	Huntley	Mahoney	Nelson	Selcer
Anzelc	Erickson, R.	Isaacson	Mariani	Newton	Simon
Atkins	Falk	Johnson, C.	Marquart	Norton	Simonson
Benson, J.	Fischer	Johnson, S.	Masin	Paymar	Slocum
Bernardy	Freiberg	Kahn	McNamar	Pelowski	Sundin
Brynaert	Fritz	Laine	Melin	Persell	Wagenius
Carlson	Halverson	Lenczewski	Metsa	Poppe	Ward, J.A.
Clark	Hansen	Lesch	Moran	Radinovich	Ward, J.E.
Davnie	Hausman	Liebling	Morgan	Rosenthal	Winkler
Dehn, R.	Hilstrom	Lien	Mullery	Savick	Yarusso
Dill	Hornstein	Lillie	Murphy, E.	Sawatzky	Spk. Thissen
Dorholt	Hortman	Loeffler	Murphy, M.	Schoen	

Those who voted in the negative were:

Albright	Benson, M.	Draskowski	Garofalo	Hertaus	Kieffer
Anderson, M.	Cornish	Erickson, S.	Green	Holberg	Kiel
Anderson, P.	Daudt	Fabian	Gruenhagen	Hoppe	Kresha
Anderson, S.	Dauids	Faust	Gunther	Howe	Leidiger
Barrett	Dean, M.	FitzSimmons	Hackbarth	Johnson, B.	Lohmer
Beard	Dettmer	Franson	Hamilton	Kelly	Loon

Mack	Nornes	Petersburg	Sanders	Theis	Wills
McNamara	O'Driscoll	Pugh	Schomacker	Torkelson	Woodard
Myhra	O'Neill	Quam	Scott	Uglen	Zellers
Newberger	Peppin	Runbeck	Swedzinski	Urdahl	Zerwas

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

Pursuant to rule 1.50, Murphy, E., moved that the House be allowed to continue in session after 12:00 midnight. The motion prevailed.

#### CONFERENCE COMMITTEE REPORT ON H. F. NO. 630

A bill for an act relating to education; providing funding and policy for early childhood and family, prekindergarten through grade 12, and adult education, including general education, student accountability, education excellence, charter schools, special education, facilities, technology, nutrition, libraries, accounting, early childhood, self-sufficiency, lifelong learning, state agencies, and forecast adjustments; authorizing rulemaking; requiring reports; appropriating money; amending Minnesota Statutes 2012, sections 13.319, by adding a subdivision; 15.059, subdivision 5b; 120A.20, subdivision 1; 120A.41; 120B.02; 120B.021, subdivision 1; 120B.023; 120B.024; 120B.125; 120B.128; 120B.30, subdivisions 1, 1a; 120B.31, subdivision 1; 120B.35, subdivision 3; 120B.36, subdivision 1; 121A.22, subdivision 2; 121A.2205; 122A.09, subdivision 4; 122A.18, subdivision 2; 122A.23, subdivision 2; 122A.28, subdivision 1; 122A.33, subdivision 3; 122A.61, subdivision 1; 123B.41, subdivision 7; 123B.54; 123B.88, subdivision 22; 123B.92, subdivisions 1, 5; 124D.02, subdivision 1; 124D.095, subdivision 10; 124D.10; 124D.11, subdivision 5; 124D.111, subdivision 1; 124D.119; 124D.122; 124D.128, subdivision 2; 124D.42; 124D.4531, subdivision 1; 124D.52, by adding a subdivision; 124D.531, subdivision 1; 124D.59, subdivision 2; 124D.61; 124D.79, subdivision 1, by adding a subdivision; 125A.0941; 125A.0942; 125A.11, subdivision 1; 125A.27, subdivisions 8, 11, 14; 125A.28; 125A.29; 125A.30; 125A.32; 125A.33; 125A.35, subdivision 1; 125A.36; 125A.43; 125A.76, subdivisions 1, 4a, 8, by adding subdivisions; 125A.78, subdivision 2; 125A.79, subdivisions 1, 5; 126C.01, by adding a subdivision; 126C.05, subdivisions 1, 15; 126C.10, subdivisions 1, 2, 14, 24, 29, 32; 126C.15, subdivisions 1, 2; 126C.17, subdivisions 1, 5, 6; 126C.40, subdivision 6; 126C.44; 126C.48, subdivision 8; 127A.47, subdivision 7; 128D.11, subdivision 3; 134.32; 134.34; 134.351, subdivisions 3, 7; 134.353; 134.354; 134.355, subdivisions 1, 2, 3, 4, 5, 6; 134.36; 260A.02, subdivision 3; 260A.03; 260A.05, subdivision 1; 260A.07, subdivision 1; Laws 2007, chapter 146, article 4, section 12; Laws 2011, First Special Session chapter 11, article 1, section 36, subdivisions 2, as amended, 3, as amended, 4, as amended, 5, as amended, 6, as amended, 7, as amended, 10, as amended; article 2, section 50, subdivisions 2, as amended, 4, as amended, 5, as amended, 6, as amended, 7, as amended, 9, as amended; article 3, section 11, subdivisions 2, as amended, 3, as amended, 4, as amended, 5, as amended; article 4, section 10, subdivisions 2, as amended, 3, as amended, 4, as amended, 6, as amended; article 5, section 12, subdivisions 2, as amended, 3, as amended, 4, as amended; article 6, section 2, subdivisions 2, as amended, 3, as amended, 5, as amended; article 7, section 2, subdivisions 2, as amended, 3, as amended, 4, as amended, 8, as amended; article 8, section 2, subdivisions 2, as amended, 3, as amended; article 9, section 3, subdivision 2, as amended; proposing coding for new law in Minnesota Statutes, chapters 120B; 121A; 124D; 126C; 127A; proposing coding for new law as Minnesota Statutes, chapter 16F; repealing Minnesota Statutes 2012, sections 124D.454, subdivisions 3, 10, 11; 125A.35, subdivisions 4, 5; 125A.76, subdivisions 2, 4, 5, 7; 125A.79, subdivisions 6, 7; 126C.17, subdivision 13; Minnesota Rules, parts 3501.0010; 3501.0020; 3501.0030, subparts 1, 2, 3, 4, 5, 6, 7, 9, 10, 11, 12, 13, 14, 15, 16; 3501.0040; 3501.0050; 3501.0060; 3501.0090; 3501.0100; 3501.0110; 3501.0120; 3501.0130; 3501.0140; 3501.0150; 3501.0160; 3501.0170; 3501.0180; 3501.0200; 3501.0210; 3501.0220; 3501.0230; 3501.0240; 3501.0250; 3501.0270; 3501.0280, subparts 1, 2; 3501.0290; 3501.0505; 3501.0510; 3501.0515; 3501.0520; 3501.0525; 3501.0530; 3501.0535; 3501.0540; 3501.0545; 3501.0550; 3501.1000; 3501.1020; 3501.1030; 3501.1040; 3501.1050; 3501.1110; 3501.1120; 3501.1130; 3501.1140; 3501.1150; 3501.1160; 3501.1170; 3501.1180; 3501.1190.

May 18, 2013

The Honorable Paul Thissen  
Speaker of the House of Representatives

The Honorable Sandra L. Pappas  
President of the Senate

We, the undersigned conferees for H. F. No. 630 report that we have agreed upon the items in dispute and recommend as follows:

That the Senate recede from its amendments and that H. F. No. 630 be further amended as follows:

Delete everything after the enacting clause and insert:

"ARTICLE 1  
GENERAL EDUCATION

Section 1. Minnesota Statutes 2012, section 120A.20, subdivision 1, is amended to read:

Subdivision 1. **Age limitations; pupils.** (a) All schools supported in whole or in part by state funds are public schools. Admission to a public school is free to any person who: (1) resides within the district that operates the school; (2) is under 21 years of age or who meets the requirements of paragraph (c); and (3) satisfies the minimum age requirements imposed by this section. Notwithstanding the provisions of any law to the contrary, the conduct of all students under 21 years of age attending a public secondary school is governed by a single set of reasonable rules and regulations promulgated by the school board.

(b) A person shall not be admitted to a public school (1) as a kindergarten pupil, unless the pupil is at least five years of age on September 1 of the calendar year in which the school year for which the pupil seeks admission commences; or (2) as a 1st grade student, unless the pupil is at least six years of age on September 1 of the calendar year in which the school year for which the pupil seeks admission commences or has completed kindergarten; except that any school board may establish a policy for admission of selected pupils at an earlier age under section 124D.02.

(c) A pupil who becomes age 21 after enrollment is eligible for continued free public school enrollment until at least one of the following occurs: (1) the first September 1 after the pupil's 21st birthday; (2) the pupil's completion of the graduation requirements; (3) the pupil's withdrawal with no subsequent enrollment within 21 calendar days; or (4) the end of the school year.

Sec. 2. Minnesota Statutes 2012, section 120A.41, is amended to read:

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

A school board's annual school calendar must include at least 425 hours of instruction for a kindergarten student without a disability, 935 hours of instruction for a student in grades 1 through 6, and 1,020 hours of instruction for a student in grades 7 through 12, not including summer school. ~~Nothing in this section permits a school district to adopt~~ The school calendar for all-day kindergarten must include at least 850 hours of instruction for the school year. A school board's annual calendar must include at least 165 days of instruction for a student in grades 1 through 11 unless a four-day week schedule unless has been approved by the commissioner under section 124D.126.

Sec. 3. Minnesota Statutes 2012, section 123A.73, subdivision 3, is amended to read:

Subd. 3. **Voluntary dissolution; referendum revenue.** As of the effective date of the voluntary dissolution of a district and its attachment to one or more existing districts pursuant to section 123A.46, the authorization for all referendum revenues previously approved by the voters of all affected districts for those districts pursuant to section 126C.17, subdivision 9, or its predecessor provision, is canceled. However, if all of the territory of any independent district is included in the enlarged district, and if the adjusted net tax capacity of taxable property in that territory comprises 90 percent or more of the adjusted net tax capacity of all taxable property in an enlarged district, the enlarged district's referendum revenue shall be determined as follows:

The referendum revenue shall be the revenue per ~~resident marginal cost~~ adjusted pupil unit times the number of ~~resident marginal cost~~ adjusted pupil units in the enlarged district. Any new referendum revenue shall be authorized only after approval is granted by the voters of the entire enlarged district in an election pursuant to section 126C.17, subdivision 9.

**EFFECTIVE DATE.** This section is effective for revenue for fiscal year 2015 and later.

Sec. 4. Minnesota Statutes 2012, section 123A.73, subdivision 4, is amended to read:

Subd. 4. **Consolidation; maximum authorized referendum revenues.** (a) As of the effective date of a consolidation pursuant to section 123A.48, if the plan for consolidation so provides, or if the plan for consolidation makes no provision concerning referendum revenues, the authorization for all referendum revenues previously approved by the voters of all affected districts for those districts pursuant to section 126C.17, subdivision 9, or its predecessor provision shall be recalculated as provided in this subdivision. The referendum revenue authorization for the newly created district shall be the revenue per ~~resident marginal cost~~ adjusted pupil unit that would raise an amount equal to the combined dollar amount of the referendum revenues authorized by each of the component districts for the year preceding the consolidation, unless the referendum revenue authorization of the newly created district is subsequently modified pursuant to section 126C.17, subdivision 9.

(b) The referendum allowance for a consolidated district in the years following consolidation equals the average of the consolidating districts' existing authorities for those years, weighted by the districts' ~~resident marginal cost~~ adjusted pupil units in the year preceding consolidation. For purposes of this calculation, the referendum authorities used for individual districts shall not decrease from year to year until such time as all existing authorities for all the consolidating districts have fully expired, but shall increase if they were originally approved with consumer price index-based or other annual increases.

(c) The referendum revenue authorization for the newly created district shall continue for a period of time equal to the longest period authorized for any component district.

**EFFECTIVE DATE.** This section is effective for revenue for fiscal year 2015 and later.

Sec. 5. Minnesota Statutes 2012, section 123A.73, subdivision 5, is amended to read:

Subd. 5. **Alternative method.** (a) As of the effective date of a consolidation pursuant to section 123A.48, if the plan for consolidation so provides, the authorization for all referendum revenues previously approved by the voters of all affected districts for those districts pursuant to section 126C.17, subdivision 9, or its predecessor provision shall be combined as provided in this subdivision. The referendum revenue authorization for the newly created district may be any allowance per ~~resident marginal cost~~ adjusted pupil unit provided in the plan for consolidation, but may not exceed the allowance per ~~resident marginal cost~~ adjusted pupil unit that would raise an amount equal to the combined dollar amount of the referendum revenues authorized by each of the component districts for the year preceding the consolidation.

(b) The referendum allowance for a consolidated district in the years following consolidation equals the average of the consolidating districts' existing authorities for those years, weighted by the districts' ~~resident marginal cost~~ adjusted pupil units in the year preceding consolidation. For purposes of this calculation, the referendum authorities used for individual districts shall not decrease from year to year until such time as all existing authorities for all the consolidating districts have fully expired, but shall increase if they were originally approved with consumer price index-based or other annual increases.

(c) The referendum revenue authorization for the newly created district shall continue for a period of time equal to the longest period authorized for any component district. The referendum revenue authorization for the newly created district may be modified pursuant to section 126C.17, subdivision 9.

**EFFECTIVE DATE.** This section is effective for revenue for fiscal year 2015 and later.

Sec. 6. Minnesota Statutes 2012, section 123B.41, subdivision 7, is amended to read:

Subd. 7. **Elementary pupils.** "Elementary pupils" means pupils in grades kindergarten through 6; provided, each kindergarten pupil in a half-day program shall be counted as one-half pupil for all computations pursuant to sections 123B.40 to 123B.42, and 123B.44 to 123B.48.

**EFFECTIVE DATE.** This section is effective for revenue for fiscal year 2015 and later.

Sec. 7. Minnesota Statutes 2012, section 123B.42, subdivision 3, is amended to read:

Subd. 3. **Cost; limitation.** (a) The cost per pupil of the textbooks, individualized instructional or cooperative learning materials, software or other educational technology, and standardized tests provided for in this section for each school year must not exceed the statewide average expenditure per pupil, adjusted pursuant to clause (b), by the Minnesota public elementary and secondary schools for textbooks, individualized instructional materials and standardized tests as computed and established by the department by February 1 of the preceding school year from the most recent public school year data then available.

(b) The cost computed in clause (a) shall be increased by an inflation adjustment equal to the percent of increase in the formula allowance, pursuant to section 126C.10, subdivision 2, from the second preceding school year to the current school year. Notwithstanding the amount of the formula allowance for fiscal years 2015 and 2016 in section 126C.10, subdivision 2, the commissioner shall use the amount of the formula allowance for the current year minus \$414 in determining the inflation adjustment for fiscal years 2015 and 2016.

(c) The commissioner shall allot to the districts or intermediary service areas the total cost for each school year of providing or loaning the textbooks, individualized instructional or cooperative learning materials, software or other educational technology, and standardized tests for the pupils in each nonpublic school. The allotment shall not exceed the product of the statewide average expenditure per pupil, according to clause (a), adjusted pursuant to clause (b), multiplied by the number of nonpublic school pupils who make requests pursuant to this section and who are enrolled as of September 15 of the current school year.

Sec. 8. Minnesota Statutes 2012, section 123B.88, subdivision 22, is amended to read:

Subd. 22. **Postsecondary enrollment options pupils.** Districts may provide bus transportation along school bus routes when space is available, for pupils attending programs at a postsecondary institution under the postsecondary enrollment options program. ~~The transportation is permitted only if it does not increase the district's expenditures for transportation.~~ Fees collected for this service under section 123B.36, subdivision 1, paragraph (13), shall be subtracted from the authorized cost for nonregular transportation for the purpose of section 123B.92. A school district may provide transportation for a pupil participating in an articulated program operated under an agreement between the school district and the postsecondary institution.



Sec. 9. Minnesota Statutes 2012, section 123B.92, subdivision 1, is amended to read:

Subdivision 1. **Definitions.** For purposes of this section and section 125A.76, the terms defined in this subdivision have the meanings given to them.

(a) "Actual expenditure per pupil transported in the regular and excess transportation categories" means the quotient obtained by dividing:

(1) the sum of:

(i) all expenditures for transportation in the regular category, as defined in paragraph (b), clause (1), and the excess category, as defined in paragraph (b), clause (2), plus

(ii) an amount equal to one year's depreciation on the district's school bus fleet and mobile units computed on a straight line basis at the rate of 15 percent per year for districts operating a program under section 124D.128 for grades 1 to 12 for all students in the district and 12-1/2 percent per year for other districts of the cost of the fleet, plus

(iii) an amount equal to one year's depreciation on the district's type III vehicles, as defined in section 169.011, subdivision 71, which must be used a majority of the time for pupil transportation purposes, computed on a straight line basis at the rate of 20 percent per year of the cost of the type three school buses by:

(2) the number of pupils eligible for transportation in the regular category, as defined in paragraph (b), clause (1), and the excess category, as defined in paragraph (b), clause (2).

(b) "Transportation category" means a category of transportation service provided to pupils as follows:

(1) Regular transportation is:

(i) transportation to and from school during the regular school year for resident elementary pupils residing one mile or more from the public or nonpublic school they attend, and resident secondary pupils residing two miles or more from the public or nonpublic school they attend, excluding desegregation transportation and noon kindergarten transportation; but with respect to transportation of pupils to and from nonpublic schools, only to the extent permitted by sections 123B.84 to 123B.87;

(ii) transportation of resident pupils to and from language immersion programs;

(iii) transportation of a pupil who is a custodial parent and that pupil's child between the pupil's home and the child care provider and between the provider and the school, if the home and provider are within the attendance area of the school;

(iv) transportation to and from or board and lodging in another district, of resident pupils of a district without a secondary school; and

(v) transportation to and from school during the regular school year required under subdivision 3 for nonresident elementary pupils when the distance from the attendance area border to the public school is one mile or more, and for nonresident secondary pupils when the distance from the attendance area border to the public school is two miles or more, excluding desegregation transportation and noon kindergarten transportation.

For the purposes of this paragraph, a district may designate a licensed day care facility, school day care facility, respite care facility, the residence of a relative, or the residence of a person or other location chosen by the pupil's parent or guardian, or an after-school program for children operated by a political subdivision of the state, as the home of a pupil for part or all of the day, if requested by the pupil's parent or guardian, and if that facility, residence, or program is within the attendance area of the school the pupil attends.

(2) Excess transportation is:

(i) transportation to and from school during the regular school year for resident secondary pupils residing at least one mile but less than two miles from the public or nonpublic school they attend, and transportation to and from school for resident pupils residing less than one mile from school who are transported because of full-service school zones, extraordinary traffic, drug, or crime hazards; and

(ii) transportation to and from school during the regular school year required under subdivision 3 for nonresident secondary pupils when the distance from the attendance area border to the school is at least one mile but less than two miles from the public school they attend, and for nonresident pupils when the distance from the attendance area border to the school is less than one mile from the school and who are transported because of full-service school zones, extraordinary traffic, drug, or crime hazards.

(3) Desegregation transportation is transportation within and outside of the district during the regular school year of pupils to and from schools located outside their normal attendance areas under a plan for desegregation mandated by the commissioner or under court order.

(4) "Transportation services for pupils with disabilities" is:

(i) transportation of pupils with disabilities who cannot be transported on a regular school bus between home or a respite care facility and school;

(ii) necessary transportation of pupils with disabilities from home or from school to other buildings, including centers such as developmental achievement centers, hospitals, and treatment centers where special instruction or services required by sections 125A.03 to 125A.24, 125A.26 to 125A.48, and 125A.65 are provided, within or outside the district where services are provided;

(iii) necessary transportation for resident pupils with disabilities required by sections 125A.12, and 125A.26 to 125A.48;

(iv) board and lodging for pupils with disabilities in a district maintaining special classes;

(v) transportation from one educational facility to another within the district for resident pupils enrolled on a shared-time basis in educational programs, and necessary transportation required by sections 125A.18, and 125A.26 to 125A.48, for resident pupils with disabilities who are provided special instruction and services on a shared-time basis or if resident pupils are not transported, the costs of necessary travel between public and private schools or neutral instructional sites by essential personnel employed by the district's program for children with a disability;

(vi) transportation for resident pupils with disabilities to and from board and lodging facilities when the pupil is boarded and lodged for educational purposes;

(vii) transportation of pupils for a curricular field trip activity on a school bus equipped with a power lift when the power lift is required by a student's disability or section 504 plan; and

(viii) services described in clauses (i) to (vii), when provided for pupils with disabilities in conjunction with a summer instructional program that relates to the pupil's individualized education program or in conjunction with a learning year program established under section 124D.128.

For purposes of computing special education initial aid under section 125A.76, ~~subdivision 2~~, the cost of providing transportation for children with disabilities includes (A) the additional cost of transporting a homeless student from a temporary nonshelter home in another district to the school of origin, or a formerly homeless student from a permanent home in another district to the school of origin but only through the end of the academic year; and

(B) depreciation on district-owned school buses purchased after July 1, 2005, and used primarily for transportation of pupils with disabilities, calculated according to paragraph (a), clauses (ii) and (iii). Depreciation costs included in the disabled transportation category must be excluded in calculating the actual expenditure per pupil transported in the regular and excess transportation categories according to paragraph (a). For purposes of subitem (A), a school district may transport a child who does not have a school of origin to the same school attended by that child's sibling, if the siblings are homeless.

(5) "Nonpublic nonregular transportation" is:

(i) transportation from one educational facility to another within the district for resident pupils enrolled on a shared-time basis in educational programs, excluding transportation for nonpublic pupils with disabilities under clause (4);

(ii) transportation within district boundaries between a nonpublic school and a public school or a neutral site for nonpublic school pupils who are provided pupil support services pursuant to section 123B.44; and

(iii) late transportation home from school or between schools within a district for nonpublic school pupils involved in after-school activities.

(c) "Mobile unit" means a vehicle or trailer designed to provide facilities for educational programs and services, including diagnostic testing, guidance and counseling services, and health services. A mobile unit located off nonpublic school premises is a neutral site as defined in section 123B.41, subdivision 13.

**EFFECTIVE DATE.** This section is effective July 1, 2013.

Sec. 10. Minnesota Statutes 2012, section 123B.92, subdivision 5, is amended to read:

Subd. 5. **District reports.** (a) Each district must report data to the department as required by the department to account for transportation expenditures.

(b) Salaries and fringe benefits of district employees whose primary duties are other than transportation, including central office administrators and staff, building administrators and staff, teachers, social workers, school nurses, and instructional aides, must not be included in a district's transportation expenditures, except that a district may include salaries and benefits according to paragraph (c) for (1) an employee designated as the district transportation director, (2) an employee providing direct support to the transportation director, or (3) an employee providing direct transportation services such as a bus driver or bus aide.

(c) Salaries and fringe benefits of the district employees listed in paragraph (b), clauses (1), (2), and (3), who work part time in transportation and part time in other areas must not be included in a district's transportation expenditures unless the district maintains documentation of the employee's time spent on pupil transportation matters in the form and manner prescribed by the department.

(d) A school district that contracts for transportation service may allocate transportation expense to transportation categories based upon contract rates. Districts may only allocate transportation expense to transportation categories based upon contract rates if contract rates are reasonably consistent on a cost-per-hour, cost-per-mile, cost-per-route, or cost-per-student basis. In order to allocate transportation expense based upon contract rates, a school district, if audited, must be able to demonstrate to the auditor that variances in the application of transportation cost basis rates are appropriate.

(e) Pupil transportation expenditures, excluding expenditures for capital outlay, leased buses, student board and lodging, crossing guards, and aides on buses, ~~must~~ may be allocated among transportation categories based on cost-per-mile or cost-per-student regardless of whether the transportation services are provided on district-owned or contractor-owned school buses. Expenditures for school bus driver salaries and fringe benefits may either be directly charged to the appropriate transportation category or may be allocated among transportation categories

based on cost-per-mile or cost-per-student. Expenditures by private contractors or individuals who provide transportation exclusively in one transportation category must be charged directly to the appropriate transportation category. Transportation services provided by contractor-owned school bus companies incorporated under different names but owned by the same individual or group of individuals must be treated as the same company for cost allocation purposes.

~~(e) Notwithstanding paragraph (d), districts contracting for transportation services are exempt from the standard cost allocation method for authorized and nonauthorized transportation categories if the district: (1) bids its contracts separately for authorized and nonauthorized transportation categories and for special transportation separate from regular and excess transportation; (2) receives bids or quotes from more than one vendor for these transportation categories; and (3) the district's cost per mile does not vary more than ten percent among categories, excluding salaries and fringe benefits of bus aides. If the costs reported by the district for contractor owned operations vary by more than ten percent among categories, the department shall require the district to reallocate its transportation costs, excluding salaries and fringe benefits of bus aides, among all categories.~~

**EFFECTIVE DATE.** This section is effective for revenue for fiscal year 2014 and later.

Sec. 11. Minnesota Statutes 2012, section 123B.92, subdivision 9, is amended to read:

Subd. 9. **Nonpublic pupil transportation aid.** (a) A district's nonpublic pupil transportation aid for the 1996-1997 and later school years for transportation services for nonpublic school pupils according to sections 123B.88, 123B.84 to 123B.86, and this section, equals the sum of the amounts computed in paragraphs (b) and (c). This aid does not limit the obligation to transport pupils under sections 123B.84 to 123B.87.

(b) For regular and excess transportation according to subdivision 1, paragraph (b), clauses (1) and (2), an amount equal to the product of:

(1) the district's actual expenditure per pupil transported in the regular and excess transportation categories during the second preceding school year; times

(2) the number of nonpublic school pupils residing in the district who receive regular or excess transportation service or reimbursement for the current school year; times

(3) the ratio of the formula allowance pursuant to section 126C.10, subdivision 2, for the current school year to the formula allowance pursuant to section 126C.10, subdivision 2, for the second preceding school year.

(c) For nonpublic nonregular transportation according to subdivision 1, paragraph (b), clause (5), an amount equal to the product of:

(1) the district's actual expenditure for nonpublic nonregular transportation during the second preceding school year; times

(2) the ratio of the formula allowance pursuant to section 126C.10, subdivision 2, for the current school year to the formula allowance pursuant to section 126C.10, subdivision 2, for the second preceding school year.

(d) Notwithstanding the amount of the formula allowance for fiscal ~~year 2004~~ years 2015 and 2016 in section 126C.10, subdivision 2, the commissioner shall use the amount of the formula allowance for the current year minus ~~\$415~~ \$414 in determining the nonpublic pupil transportation revenue in paragraphs (b) and (c) for fiscal ~~year 2004~~ years 2015 and 2016.

**EFFECTIVE DATE.** This section is effective for revenue for fiscal year 2015 and later.

Sec. 12. Minnesota Statutes 2012, section 124D.02, subdivision 1, is amended to read:

Subdivision 1. **Kindergarten instruction.** The board may establish and maintain one or more kindergartens for the instruction of children and after July 1, 1974, shall provide kindergarten instruction for all eligible children, either in the district or in another district. All children to be eligible for kindergarten must be at least five years of age on September 1 of the calendar year in which the school year commences. In addition all children selected under an early admissions policy established by the school board may be admitted. If established, a board-adopted early admissions policy must describe the process and procedures for comprehensive evaluation in cognitive, social, and emotional developmental domains to help determine the child's ability to meet kindergarten grade expectations and progress to first grade in the subsequent year. The comprehensive evaluation must use valid and reliable instrumentation, be aligned with state kindergarten expectations, and include a parent report and teacher observations of the child's knowledge, skills, and abilities. The early admissions policy must be made available to parents in an accessible format and is subject to review by the commissioner of education. The evaluation is subject to section 127A.41. Nothing in this section shall prohibit a school district from establishing Head Start, prekindergarten, or nursery school classes for children below kindergarten age. Any school board with evidence that providing kindergarten will cause an extraordinary hardship on the school district may apply to the commissioner of education for an exception.

Sec. 13. Minnesota Statutes 2012, section 124D.128, subdivision 2, is amended to read:

Subd. 2. **Commissioner designation.** (a) A state-approved alternative program designated by the state must be a site. A state-approved alternative program must provide services to students who meet the criteria in section 124D.68 and who are enrolled in:

(1) a district that is served by the state-approved alternative program; or

(2) a charter school located within the geographic boundaries of a district that is served by the state-approved alternative program.

~~(b) A school district or charter school may be approved biennially by the state to provide additional instructional programming that results in grade level acceleration. The program must be designed so that students make grade progress during the school year and graduate prior to the students' peers.~~

~~(c)~~ (b) To be designated, a district, charter school, or state-approved alternative program must demonstrate to the commissioner that it will:

(1) provide a program of instruction that permits pupils to receive instruction throughout the entire year; and

(2) develop and maintain a separate record system that, for purposes of section 126C.05, permits identification of membership attributable to pupils participating in the program. The record system and identification must ensure that the program will not have the effect of increasing the total average daily membership attributable to an individual pupil as a result of a learning year program. The record system must include the date the pupil originally enrolled in a learning year program, the pupil's grade level, the date of each grade promotion, the average daily membership generated in each grade level, the number of credits or standards earned, and the number needed to graduate.

~~(d)~~ (c) A student who has not completed a school district's graduation requirements may continue to enroll in courses the student must complete in order to graduate until the student satisfies the district's graduation requirements or the student is 21 years old, whichever comes first.

Sec. 14. Minnesota Statutes 2012, section 124D.4531, is amended to read:

**124D.4531 CAREER AND TECHNICAL ~~LEVY~~ REVENUE.**

Subdivision 1. **Career and technical levy revenue.** (a) A district with a career and technical program approved under this section for the fiscal year in which the levy is certified ~~may levy an amount~~ is eligible for career and technical revenue equal to 35 percent of approved expenditures in the fiscal year in which the levy is certified for the following:

(1) salaries paid to essential, licensed personnel providing direct instructional services to students in that fiscal year, including extended contracts, for services rendered in the district's approved career and technical education programs, excluding salaries reimbursed by another school district under clause (2);

(2) amounts paid to another Minnesota school district for salaries of essential, licensed personnel providing direct instructional services to students in that fiscal year for services rendered in the district's approved career and technical education programs;

~~(2)~~ (3) contracted services provided by a public or private agency other than a Minnesota school district or cooperative center under subdivision 7;

~~(3)~~ (4) necessary travel between instructional sites by licensed career and technical education personnel;

(4) (5) necessary travel by licensed career and technical education personnel for vocational student organization activities held within the state for instructional purposes;

~~(5)~~ (6) curriculum development activities that are part of a five-year plan for improvement based on program assessment;

~~(6)~~ (7) necessary travel by licensed career and technical education personnel for noncollegiate credit-bearing professional development; and

~~(7)~~ (8) specialized vocational instructional supplies.

(b) Up to ten percent of a district's career and technical ~~levy~~ revenue may be spent on equipment purchases. Districts using the career and technical ~~levy~~ revenue for equipment purchases must report to the department on the improved learning opportunities for students that result from the investment in equipment.

(c) The district must recognize the full amount of this levy as revenue for the fiscal year in which it is certified.

(d) The amount of the ~~levy certified~~ revenue calculated under this subdivision may not exceed \$17,850,000 for taxes payable in 2012, \$15,520,000 for taxes payable in 2013, and ~~\$15,393,000~~ \$20,657,000 for taxes payable in 2014.

(e) If the estimated ~~levy~~ revenue exceeds the amount in paragraph (d), the commissioner must reduce the percentage in paragraph (a), clause (2), until the estimated ~~levy~~ revenue no longer exceeds the limit in paragraph (d).

**Subd. 1a. Career and technical levy.** (a) For fiscal year 2014 only, a district may levy an amount not more than the product of its career and technical revenue times the lesser of one or the ratio of its adjusted net tax capacity per adjusted pupil unit in the fiscal year in which the levy is certified to the career and technical revenue equalizing factor. The career and technical revenue equalizing factor for fiscal year 2014 equals \$7,612.

(b) For fiscal year 2015 and later, a district may levy an amount not more than the product of its career and technical revenue times the lesser of one or the ratio of its adjusted net tax capacity per adjusted pupil unit in the fiscal year in which the levy is certified to the career and technical revenue equalizing factor. The career and technical revenue equalizing factor for fiscal year 2015 and later equals \$7,612.

**Subd. 1b. Career and technical aid.** For fiscal year 2014 and later, a district's career and technical aid equals its career and technical revenue less its career and technical levy. If the district levy is less than the permitted levy, the district's career and technical aid shall be reduced proportionately.

**Subd. 2. Allocation from cooperative centers and intermediate districts.** For purposes of this section, a cooperative center or an intermediate district must allocate its approved expenditures for career and technical education programs among participating districts.

**Subd. 3. Levy Revenue guarantee.** Notwithstanding subdivision 1, paragraph (a), the career and technical education levy revenue for a district is not less than the lesser of:

- (1) the district's career and technical education levy authority revenue for the previous fiscal year; or
- (2) 100 percent of the approved expenditures for career and technical programs included in subdivision 1, paragraph (b), for the fiscal year in which the levy is certified.

**Subd. 3a. Levy, pay 2012-2014 Revenue adjustments.** Notwithstanding subdivisions 1, 1a, and 3, for taxes payable in 2012 to 2014 only, the department must calculate the career and technical levy authority revenue for each district according to Minnesota Statutes 2010, section 124D.4531, and adjust the levy authority revenue for each district proportionately to meet the statewide levy revenue target under subdivision 1, paragraph (d). For purposes of calculating the levy revenue guarantee under subdivision 3, the career and technical education levy authority revenue for the previous fiscal year is the levy authority revenue according to Minnesota Statutes 2010, section 124D.4531, before adjustments to meet the statewide levy revenue target.

**Subd. 4. District reports.** Each district or cooperative center must report data to the department for all career and technical education programs as required by the department to implement the career and technical levy revenue formula.

**Subd. 5. Allocation from districts participating in agreements for secondary education or interdistrict cooperation.** For purposes of this section, a district with a career and technical program approved under this section that participates in an agreement under section 123A.30 or 123A.32 must allocate its levy revenue authority under this section among participating districts.

**EFFECTIVE DATE.** This section is effective for fiscal year 2014 and later.

Sec. 15. Minnesota Statutes 2012, section 126C.05, subdivision 1, is amended to read:

Subdivision 1. **Pupil unit.** Pupil units for each Minnesota resident pupil under the age of 21 or who meets the requirements of section 120A.20, subdivision 1, paragraph (c), in average daily membership enrolled in the district of residence, in another district under sections 123A.05 to 123A.08, 124D.03, 124D.08, or 124D.68; in a charter school under section 124D.10; or for whom the resident district pays tuition under section 123A.18, 123A.22, 123A.30, 123A.32, 123A.44, 123A.488, 123B.88, subdivision 4, 124D.04, 124D.05, 125A.03 to 125A.24, 125A.51, or 125A.65, shall be counted according to this subdivision.

(a) A prekindergarten pupil with a disability who is enrolled in a program approved by the commissioner and has an individualized education program is counted as the ratio of the number of hours of assessment and education service to 825 times ~~1.25~~ 1.0 with a minimum average daily membership of 0.28, but not more than ~~1.25~~ 1.0 pupil units.

(b) A prekindergarten pupil who is assessed but determined not to be disabled is counted as the ratio of the number of hours of assessment service to 825 times ~~1.25~~ 1.0.

(c) A kindergarten pupil with a disability who is enrolled in a program approved by the commissioner is counted as the ratio of the number of hours of assessment and education services required in the fiscal year by the pupil's individualized education program to 875, but not more than one.

~~(d) A kindergarten pupil who is not included in paragraph (c) is counted as .612 pupil units.~~ A kindergarten pupil who is not included in paragraph (c) is counted as 1.0 pupil units if the pupil is enrolled in a free all-day, every day kindergarten program available to all kindergarten pupils at the pupil's school that meets the minimum hours requirement in section 120A.41, or is counted as .55 pupil units, if the pupil is not enrolled in a free all-day, every day kindergarten program available to all kindergarten pupils at the pupil's school.

(e) A pupil who is in any of grades 1 to ~~3~~ 6 is counted as ~~1.115~~ 1.0 pupil units ~~for fiscal year 2000 and thereafter.~~

~~(f) A pupil who is any of grades 4 to 6 is counted as 1.06 pupil units for fiscal year 1995 and thereafter.~~

~~(g)~~ A pupil who is in any of grades 7 to 12 is counted as ~~1.3~~ 1.2 pupil units.

~~(h)~~ (g) A pupil who is in the postsecondary enrollment options program is counted as ~~1.3~~ 1.2 pupil units.

**EFFECTIVE DATE.** This section is effective for revenue for fiscal year 2015 and later.

Sec. 16. Minnesota Statutes 2012, section 126C.05, subdivision 5, is amended to read:

Subd. 5. **Adjusted pupil units.** ~~(a)~~ Adjusted pupil units for a district or charter school means the sum of:

(1) the number of pupil units served, according to subdivision 7, plus

(2) pupil units according to subdivision 1 for whom the district or charter school pays tuition under section 123A.18, 123A.22, 123A.30, 123A.32, 123A.44, 123A.488, 123B.88, subdivision 4, 124D.04, 124D.05, 125A.03 to 125A.24, 125A.51, or 125A.65, minus

(3) pupil units according to subdivision 1 for whom the district or charter school receives tuition under section 123A.18, 123A.22, 123A.30, 123A.32, 123A.44, 123A.488, 123B.88, subdivision 4, 124D.04, 124D.05, 125A.03 to 125A.24, 125A.51, or 125A.65.

~~(b) Adjusted marginal cost pupil units means the greater of:~~

~~(1) the sum of .77 times the pupil units defined in paragraph (a) for the current school year and .23 times the pupil units defined in paragraph (a) for the previous school year; or~~

~~(2) the number of adjusted pupil units defined in paragraph (a) for the current school year.~~

**EFFECTIVE DATE.** This section is effective for revenue for fiscal year 2015 and later.

Sec. 17. Minnesota Statutes 2012, section 126C.05, subdivision 6, is amended to read:

Subd. 6. **Resident pupil units.** ~~(a)~~ Resident pupil units for a district means the number of pupil units according to subdivision 1 residing in the district.

~~(b) Resident marginal cost pupil units means the greater of:~~

~~(1) the sum of .77 times the pupil units defined in paragraph (a) for the current year and .23 times the pupil units defined in paragraph (a) for the previous school year; or~~



~~(2) the number of resident pupil units defined in paragraph (a) for the current school year.~~

**EFFECTIVE DATE.** This section is effective for revenue for fiscal year 2015 and later.

Sec. 18. Minnesota Statutes 2012, section 126C.05, subdivision 15, is amended to read:

Subd. 15. **Learning year pupil units.** (a) When a pupil is enrolled in a learning year program under section 124D.128, an area learning center or an alternative learning program approved by the commissioner under sections 123A.05 and 123A.06, or a contract alternative program under section 124D.68, subdivision 3, paragraph (d), or subdivision 3a, for more than 1,020 hours in a school year for a secondary student, more than 935 hours in a school year for an elementary student, more than 850 hours in a school year for a kindergarten student without a disability in an all-day kindergarten program, or more than 425 hours in a school year for a half-day kindergarten student without a disability, that pupil may be counted as more than one pupil in average daily membership for purposes of section 126C.10, subdivision 2a. The amount in excess of one pupil must be determined by the ratio of the number of hours of instruction provided to that pupil in excess of: (i) the greater of 1,020 hours or the number of hours required for a full-time secondary pupil in the district to 1,020 for a secondary pupil; (ii) the greater of 935 hours or the number of hours required for a full-time elementary pupil in the district to 935 for an elementary pupil in grades 1 through 6; ~~and~~ (iii) the greater of 425 hours or the number of hours required for a full-time kindergarten student without a disability in the district to 425 for a kindergarten student without a disability; and (iv) the greater of 425 hours or the number of hours required for a half-time kindergarten student without a disability in the district to 425 for a half-day kindergarten student without a disability. Hours that occur after the close of the instructional year in June shall be attributable to the following fiscal year. ~~A kindergarten student must not be counted as more than 1.2 pupils in average daily membership under this subdivision.~~ A student in kindergarten or grades 1 through 12 must not be counted as more than 1.2 pupils in average daily membership under this subdivision.

(b)(i) To receive general education revenue for a pupil in an area learning center or alternative learning program that has an independent study component, a district must meet the requirements in this paragraph. The district must develop, for the pupil, a continual learning plan consistent with section 124D.128, subdivision 3. Each school district that has an area learning center or alternative learning program must reserve revenue in an amount equal to at least 90 percent of the district average general education revenue per pupil unit, minus an amount equal to the product of the formula allowance according to section 126C.10, subdivision 2, times ~~.0485~~ .0466, calculated without basic skills and transportation sparsity revenue, times the number of pupil units generated by students attending an area learning center or alternative learning program. The amount of reserved revenue available under this subdivision may only be spent for program costs associated with the area learning center or alternative learning program. Basic skills revenue generated according to section 126C.10, subdivision 4, by pupils attending the eligible program must be allocated to the program.

(ii) General education revenue for a pupil in a state-approved alternative program without an independent study component must be prorated for a pupil participating for less than a full year, or its equivalent. The district must develop a continual learning plan for the pupil, consistent with section 124D.128, subdivision 3. Each school district that has an area learning center or alternative learning program must reserve revenue in an amount equal to at least 90 percent of the district average general education revenue per pupil unit, minus an amount equal to the product of the formula allowance according to section 126C.10, subdivision 2, times ~~.0485~~ .0466, calculated without basic skills and transportation sparsity revenue, times the number of pupil units generated by students attending an area learning center or alternative learning program. The amount of reserved revenue available under this subdivision may only be spent for program costs associated with the area learning center or alternative learning program. Basic skills revenue generated according to section 126C.10, subdivision 4, by pupils attending the eligible program must be allocated to the program.

(iii) General education revenue for a pupil in a state-approved alternative program that has an independent study component must be paid for each hour of teacher contact time and each hour of independent study time completed toward a credit or graduation standards necessary for graduation. Average daily membership for a pupil shall equal the number of hours of teacher contact time and independent study time divided by 1,020.

(iv) For a state-approved alternative program having an independent study component, the commissioner shall require a description of the courses in the program, the kinds of independent study involved, the expected learning outcomes of the courses, and the means of measuring student performance against the expected outcomes.

**EFFECTIVE DATE.** This section is effective for revenue for fiscal year 2015 and later.

Sec. 19. Minnesota Statutes 2012, section 126C.10, subdivision 1, is amended to read:

Subdivision 1. **General education revenue.** (a) For fiscal years 2013 and 2014, the general education revenue for each district equals the sum of the district's basic revenue, extended time revenue, gifted and talented revenue, small schools revenue, basic skills revenue, ~~training and experience revenue,~~ secondary sparsity revenue, elementary sparsity revenue, transportation sparsity revenue, total operating capital revenue, equity revenue, alternative teacher compensation revenue, and transition revenue.

(b) For fiscal year 2015 and later, the general education revenue for each district equals the sum of the district's basic revenue, extended time revenue, gifted and talented revenue, declining enrollment revenue, small schools revenue, basic skills revenue, secondary sparsity revenue, elementary sparsity revenue, transportation sparsity revenue, total operating capital revenue, equity revenue, pension adjustment revenue, and transition revenue.

Sec. 20. Minnesota Statutes 2012, section 126C.10, subdivision 2, is amended to read:

Subd. 2. **Basic revenue.** For fiscal year 2014, the basic revenue for each district equals the formula allowance times the adjusted marginal cost pupil units for the school year. ~~The formula allowance for fiscal year 2011 is \$5,124. The formula allowance for fiscal year 2012 is \$5,174. For fiscal year 2015 and later, the basic revenue for each district equals the formula allowance times the adjusted pupil units for the school year.~~ The formula allowance for fiscal year 2013 ~~and subsequent years~~ is \$5,224. The formula allowance for fiscal year 2014 is \$5,302. The formula allowance for fiscal year 2015 and later is \$5,806.

Sec. 21. Minnesota Statutes 2012, section 126C.10, subdivision 2a, is amended to read:

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

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

Sec. 22. Minnesota Statutes 2012, section 126C.10, subdivision 2b, is amended to read:

Subd. 2b. **Gifted and talented revenue.** Gifted and talented revenue for each district equals the district's adjusted ~~marginal cost~~ pupil units for that school year times ~~\$12 for fiscal year 2008 and later~~ \$13. A school district must reserve gifted and talented revenue and, consistent with section 120B.15, must spend the revenue only to:

- (1) identify gifted and talented students;
- (2) provide education programs for gifted and talented students; or
- (3) provide staff development to prepare teachers to best meet the unique needs of gifted and talented students.

**EFFECTIVE DATE.** This section is effective for revenue for fiscal year 2015 and later.

Sec. 23. Minnesota Statutes 2012, section 126C.10, subdivision 2c, is amended to read:

Subd. 2c. **Small schools revenue.** (a) A school district, not including a charter school, is eligible for small schools revenue equal to the greater of the calculation under paragraph (b) or (d).

(b) The product of:

(1) ~~\$5,224~~ \$544;

(2) the district's adjusted ~~marginal-cost~~ pupil units for that year; and

(3) the greater of zero or the ratio of (i) ~~4,000~~ 960 less the district's adjusted ~~marginal-cost~~ pupil units for that year, to (ii) ~~4,000~~; and

~~(4) 0.10~~ 960.

(c) For the purpose of revenue calculated under paragraph (d), "district" includes a qualifying high school under subdivision 6 that is located in a district with more than one qualifying high school under subdivision 6.

(d) The product of:

(1) \$544;

(2) the district's adjusted pupil units for that year; and

(3) the greater of zero or the ratio of (i) 960 less the district's adjusted pupil units for that year, to (ii) 960.

**EFFECTIVE DATE.** This section is effective for revenue in fiscal year 2015 and later.

Sec. 24. Minnesota Statutes 2012, section 126C.10, is amended by adding a subdivision to read:

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

**EFFECTIVE DATE.** This section is effective for revenue for fiscal year 2015 and later.

Sec. 25. Minnesota Statutes 2012, section 126C.10, subdivision 3, is amended to read:

Subd. 3. **Compensatory education revenue.** (a) For fiscal year 2014, the compensatory education revenue for each building in the district equals the formula allowance minus \$415 times the compensation revenue pupil units computed according to section 126C.05, subdivision 3. For fiscal year 2015 and later, the compensatory education revenue for each building in the district equals the formula allowance minus \$839 times the compensation revenue pupil units computed according to section 126C.05, subdivision 3. Revenue shall be paid to the district and must be allocated according to section 126C.15, subdivision 2.

(b) When the district contracting with an alternative program under section 124D.69 changes prior to the start of a school year, the compensatory revenue generated by pupils attending the program shall be paid to the district contracting with the alternative program for the current school year, and shall not be paid to the district contracting with the alternative program for the prior school year.

(c) When the fiscal agent district for an area learning center changes prior to the start of a school year, the compensatory revenue shall be paid to the fiscal agent district for the current school year, and shall not be paid to the fiscal agent district for the prior school year.

Sec. 26. Minnesota Statutes 2012, section 126C.10, subdivision 7, is amended to read:

Subd. 7. **Secondary sparsity revenue.** (a) A district's secondary sparsity revenue for a school year equals the sum of the results of the following calculation for each qualifying high school in the district:

(1) the formula allowance for the school year minus \$530, multiplied by

(2) the secondary average daily membership of pupils served in the high school, multiplied by

(3) the quotient obtained by dividing 400 minus the secondary average daily membership by 400 plus the secondary daily membership, multiplied by

(4) the lesser of 1.5 or the quotient obtained by dividing the isolation index minus 23 by ten.

(b) A newly formed district that is the result of districts combining under the cooperation and combination program or consolidating under section 123A.48 must receive secondary sparsity revenue equal to the greater of: (1) the amount calculated under paragraph (a) for the combined district; or (2) the sum of the amounts of secondary sparsity revenue the former districts had in the year prior to consolidation, increased for any subsequent changes in the secondary sparsity formula.

**EFFECTIVE DATE.** This section is effective for revenue for fiscal year 2015 and later.

Sec. 27. Minnesota Statutes 2012, section 126C.10, subdivision 8, is amended to read:

Subd. 8. **Elementary sparsity revenue.** A district's elementary sparsity revenue equals the sum of the following amounts for each qualifying elementary school in the district:

(1) the formula allowance for the year minus \$530, multiplied by

(2) the elementary average daily membership of pupils served in the school, multiplied by

(3) the quotient obtained by dividing 140 minus the elementary average daily membership by 140 plus the average daily membership.

**EFFECTIVE DATE.** This section is effective for revenue for fiscal year 2015 and later.

Sec. 28. Minnesota Statutes 2012, section 126C.10, subdivision 13, is amended to read:

Subd. 13. **Total operating capital revenue.** (a) Total operating capital revenue for a district equals the amount determined under paragraph (b) or (c), plus ~~\$73~~ \$79 times the adjusted ~~marginal-cost~~ pupil units for the school year. The revenue must be placed in a reserved account in the general fund and may only be used according to subdivision 14.

(b) Capital revenue for a district equals ~~\$100~~ \$109 times the district's maintenance cost index times its adjusted ~~marginal-cost~~ pupil units for the school year.

(c) The revenue for a district that operates a program under section 124D.128, is increased by an amount equal to ~~\$30~~ \$31 times the number of ~~marginal-cost~~ adjusted pupil units served at the site where the program is implemented.

**EFFECTIVE DATE.** This section is effective for revenue for fiscal year 2015 and later.

Sec. 29. Minnesota Statutes 2012, section 126C.10, subdivision 13a, is amended to read:

Subd. 13a. **Operating capital levy.** To obtain operating capital revenue for fiscal year ~~2007~~ 2015 and later, a district may levy an amount not more than the product of its operating capital revenue for the fiscal year times the lesser of one or the ratio of its adjusted net tax capacity per adjusted marginal cost pupil unit to the operating capital equalizing factor. The operating capital equalizing factor equals ~~\$10,194~~ \$14,500.

**EFFECTIVE DATE.** This section is effective for fiscal year 2015 and later.

Sec. 30. Minnesota Statutes 2012, section 126C.10, subdivision 14, is amended to read:

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

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

(17) to pay operating capital-related assessments of any entity formed under a cooperative agreement between two or more districts;

(18) to purchase or lease computers and related ~~materials~~ hardware, software, and annual licensing fees, copying machines, telecommunications equipment, and other noninstructional equipment;

(19) to purchase or lease assistive technology or equipment for instructional programs;

(20) to purchase textbooks as defined in section 123B.41, subdivision 2;

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

(22) to lease or purchase vehicles;

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

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

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

(iii) other classroom information management needs;

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

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

Sec. 31. Minnesota Statutes 2012, section 126C.10, subdivision 18, is amended to read:

Subd. 18. **Transportation sparsity revenue allowance.** (a) A district's transportation sparsity allowance equals the greater of zero or the result of the following computation:

(i) Multiply the formula allowance according to subdivision 2, by ~~.1469~~ .141.

(ii) Multiply the result in clause (i) by the district's sparsity index raised to the 26/100 power.

(iii) Multiply the result in clause (ii) by the district's density index raised to the 13/100 power.

(iv) Multiply the formula allowance according to subdivision 2, by ~~.0485~~ .0466.

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

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

**EFFECTIVE DATE.** This section is effective for revenue for fiscal year 2015 and later.

Sec. 32. Minnesota Statutes 2012, section 126C.10, subdivision 24, is amended to read:

Subd. 24. **Equity revenue.** (a) A school district qualifies for equity revenue if:

(1) the school district's adjusted ~~marginal-cost~~ pupil unit amount of basic revenue, transition revenue, and referendum revenue is less than the value of the school district at or immediately above the 95th percentile of school districts in its equity region for those revenue categories; and

(2) the school district's administrative offices are not located in a city of the first class on July 1, 1999.

(b) Equity revenue for a qualifying district that receives referendum revenue under section 126C.17, subdivision 4, equals the product of (1) the district's adjusted ~~marginal-cost~~ pupil units for that year; times (2) the sum of (i) ~~\$13~~ \$14, plus (ii) ~~\$75~~ \$80, times the school district's equity index computed under subdivision 27.

(c) Equity revenue for a qualifying district that does not receive referendum revenue under section 126C.17, subdivision 4, equals the product of the district's adjusted ~~marginal-cost~~ pupil units for that year times ~~\$13~~ \$14.

(d) A school district's equity revenue is increased by the greater of zero or an amount equal to the district's resident ~~marginal-cost~~ pupil units times the difference between ten percent of the statewide average amount of referendum revenue per resident ~~marginal-cost~~ pupil unit for that year and the district's referendum revenue per resident ~~marginal-cost~~ pupil unit. A school district's revenue under this paragraph must not exceed \$100,000 for that year.

(e) A school district's equity revenue for a school district located in the metro equity region equals the amount computed in paragraphs (b), (c), and (d) multiplied by 1.25.

(f) ~~For fiscal year 2007 and later, notwithstanding paragraph (a), clause (2); A school district that has per pupil referendum revenue below the 95th percentile qualifies for~~ district's additional equity revenue equal to \$46 equals \$50 times its adjusted ~~marginal-cost~~ pupil units.

~~(g) A district that does not qualify for revenue under paragraph (f) qualifies for equity revenue equal to \$46 times its adjusted marginal cost pupil units.~~

**EFFECTIVE DATE.** This section is effective for revenue for fiscal year 2015 and later.

Sec. 33. Minnesota Statutes 2012, section 126C.10, subdivision 29, is amended to read:

Subd. 29. **Equity levy.** To obtain equity revenue for fiscal year ~~2005~~ 2015 and later, a district may levy an amount not more than the product of its equity revenue for the fiscal year times the lesser of one or the ratio of its referendum market value per resident ~~marginal-cost~~ pupil unit to ~~\$476,000~~ \$510,000.

**EFFECTIVE DATE.** This section is effective for revenue for fiscal year 2015 and later.

Sec. 34. Minnesota Statutes 2012, section 126C.10, subdivision 31, is amended to read:

Subd. 31. **Transition revenue.** (a) A district's transition allowance equals the sum of the transition revenue the district would have received for fiscal year 2015 under Minnesota Statutes 2012, section 126C.10, subdivisions 31, 31a, and 31c, and the greater of zero or the product of the ratio of the number of adjusted marginal cost pupil units the district would have counted for fiscal year 2004 under Minnesota Statutes 2002 to the district's adjusted marginal cost pupil units for fiscal year 2004, times the difference between:

(1) the ~~lesser~~ sum of:

~~(i) the district's general education revenue per adjusted marginal cost pupil unit for fiscal year 2003 or the amount of general education revenue the district would have received per adjusted marginal cost pupil unit for fiscal year 2004 2015 according to Minnesota Statutes 2002, 2012, section 126C.10;~~

~~(ii) the integration revenue the district received for fiscal year 2013 under Minnesota Statutes 2012, section 124D.86;~~

~~(iii) the pension adjustment the district would have received for fiscal year 2015 under Minnesota Statutes 2012, section 127A.50;~~

~~(iv) the special education aid the district would have received for fiscal year 2015 under Minnesota Statutes 2012, section 125A.76; and~~

~~(v) the special education excess cost aid the district would have received for fiscal year 2015 under Minnesota Statutes 2012, section 125A.79; and~~

(2) the sum of the district's:

(i) general education revenue for fiscal year ~~2004 2015~~ excluding transition revenue under section 126C.10;

(ii) achievement and integration revenue for fiscal year 2015 under section 124D.862; and

(iii) special education aid for fiscal year 2015 under section 125A.76; and

~~divided by the number of adjusted marginal cost pupil units the district would have counted for fiscal year 2004 under Minnesota Statutes 2002 2015.~~

~~(b) A district's transition revenue for fiscal years 2006 through 2009 equals the sum of the product of the district's transition allowance times the district's adjusted marginal cost pupil units plus the district's transition for prekindergarten revenue under subdivision 31a.~~

~~(c) (b) A district's transition revenue for fiscal year 2010 2015 and later equals the sum of the product of the district's transition allowance times the district's adjusted marginal cost pupil units plus the district's transition for prekindergarten revenue under subdivision 31a plus the district's transition for tuition reciprocity revenue under subdivision 31e.~~

**EFFECTIVE DATE.** This section is effective for revenue for fiscal year 2015 and later.

Sec. 35. Minnesota Statutes 2012, section 126C.10, subdivision 32, is amended to read:

Subd. 32. **Transition levy.** To obtain transition revenue for fiscal year ~~2005 2015~~ and later, a district may levy an amount not more than the product of its transition revenue for the fiscal year times the lesser of one or the ratio of its referendum market value per resident ~~marginal cost~~ pupil unit to ~~\$476,000~~ \$510,000.

**EFFECTIVE DATE.** This section is effective for revenue for fiscal year 2015 and later.

Sec. 36. Minnesota Statutes 2012, section 126C.10, subdivision 34, is amended to read:

Subd. 34. **Basic alternative teacher compensation aid.** (a) ~~For fiscal years 2007, 2008, and 2009, the basic alternative teacher compensation aid for a school district with a plan approved under section 122A.414, subdivision 2b, equals 73.1 percent of the alternative teacher compensation revenue under section 122A.415, subdivision 1. The basic alternative teacher compensation aid for an intermediate school district or charter school with a plan approved under section 122A.414, subdivisions 2a and 2b, if the recipient is a charter school, equals \$260 times the number of~~



~~pupils enrolled in the school on October 1 of the previous fiscal year, or on October 1 of the current fiscal year for a charter school in the first year of operation, times the ratio of the sum of the alternative teacher compensation aid and alternative teacher compensation levy for all participating school districts to the maximum alternative teacher compensation revenue for those districts under section 122A.415, subdivision 1.~~

~~(b)~~ For fiscal years ~~2010 and later~~ 2013 and 2014 only, the basic alternative teacher compensation aid for a school with a plan approved under section 122A.414, subdivision 2b, equals 65 percent of the alternative teacher compensation revenue under section 122A.415, subdivision 1. The basic alternative teacher compensation aid for an intermediate school district or charter school with a plan approved under section 122A.414, subdivisions 2a and 2b, if the recipient is a charter school, equals \$260 times the number of pupils enrolled in the school on October 1 of the previous year, or on October 1 of the current year for a charter school in the first year of operation, times the ratio of the sum of the alternative teacher compensation aid and alternative teacher compensation levy for all participating school districts to the maximum alternative teacher compensation revenue for those districts under section 122A.415, subdivision 1.

~~(e)~~ ~~(b)~~ Notwithstanding ~~paragraphs paragraph~~ paragraph (a) and (b) and section 122A.415, subdivision 1, the state total basic alternative teacher compensation aid entitlement must not exceed \$75,636,000 for fiscal year 2007 and later. The commissioner must limit the amount of alternative teacher compensation aid approved under section 122A.415 so as not to exceed these limits.

Sec. 37. Minnesota Statutes 2012, section 126C.10, subdivision 35, is amended to read:

Subd. 35. **Alternative teacher compensation levy.** For fiscal ~~year 2007~~ years 2013 and later 2014 only, the alternative teacher compensation levy for a district receiving basic alternative teacher compensation aid equals the product of (1) the difference between the district's alternative teacher compensation revenue and the district's basic alternative teacher compensation aid times (2) the lesser of one or the ratio of the district's adjusted net tax capacity per adjusted pupil unit to \$5,634.

Sec. 38. Minnesota Statutes 2012, section 126C.10, subdivision 36, is amended to read:

Subd. 36. **Alternative teacher compensation aid.** (a) For fiscal ~~year 2007~~ years 2013 and later 2014 only, a district's alternative teacher compensation equalization aid equals the district's alternative teacher compensation revenue minus the district's basic alternative teacher compensation aid minus the district's alternative teacher compensation levy. If a district does not levy the entire amount permitted, the alternative teacher compensation equalization aid must be reduced in proportion to the actual amount levied.

(b) A district's alternative teacher compensation aid equals the sum of the district's basic alternative teacher compensation aid and the district's alternative teacher compensation equalization aid.

Sec. 39. Minnesota Statutes 2012, section 126C.10, is amended by adding a subdivision to read:

Subd. 38. **Pension adjustment revenue.** A school district's pension adjustment revenue equals the greater of zero or the product of:

(1) the difference between the district's adjustment under Minnesota Statutes 2012, section 127A.50, subdivision 1, for fiscal year 2014 per adjusted pupil unit and the state average adjustment under Minnesota Statutes 2012, section 127A.50, subdivision 1, for fiscal year 2014 per adjusted pupil unit; and

(2) the district's adjusted pupil units for the fiscal year.

**EFFECTIVE DATE.** This section is effective for revenue for fiscal year 2015 and later.

Sec. 40. Minnesota Statutes 2012, section 126C.12, subdivision 1, is amended to read:

Subdivision 1. **Revenue.** Of a district's general education revenue for fiscal year ~~2000~~ 2015 and thereafter each school district shall reserve an amount equal to ~~the formula allowance multiplied by~~ the following calculation:

(1) ~~the sum of adjusted marginal cost pupils in~~ average daily membership, according to section 126C.05, subdivision 5, in kindergarten times ~~.057~~ \$.299; plus

(2) ~~the sum of adjusted marginal cost pupils in~~ average daily membership, according to section 126C.05, subdivision 5, in grades 1 to ~~3~~ 6 times ~~.115~~; plus \$.459.

(3) ~~the sum of adjusted marginal cost pupils in~~ average daily membership, according to section ~~126C.05~~, subdivision 5, in grades 4 to 6 times ~~.06~~.

**EFFECTIVE DATE.** This section is effective for fiscal year 2015 and later.

Sec. 41. Minnesota Statutes 2012, section 126C.12, subdivision 5, is amended to read:

Subd. 5. **Additional revenue use.** If the board of a district determines that the district has achieved and is maintaining the class sizes specified in subdivision 4, the board may use the revenue to reduce class size in grades 4, 5, and 6, ~~provide all-day, everyday kindergarten,~~ prepare and use individualized learning plans, improve program offerings, purchase instructional material, services, or technology, or provide staff development needed for reduced class sizes.

**EFFECTIVE DATE.** This section is effective for revenue for fiscal year 2015.

Sec. 42. Minnesota Statutes 2012, section 126C.126, is amended to read:

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

A school district may spend general education revenue on extended time kindergarten and prekindergarten programs. At the school board's discretion, the district may use revenue generated by the all-day kindergarten pupil count under section 126C.05, subdivision 1, paragraph (d), to meet the needs of three- and four-year-olds in the district. A school district may not use these funds on programs for three- and four-year-old children while maintaining a fee-based all-day kindergarten program.

**EFFECTIVE DATE.** This section is effective for revenue for fiscal year 2015 and later.

Sec. 43. Minnesota Statutes 2012, section 126C.13, is amended by adding a subdivision to read:

Subd. 3a. **Student achievement rate.** The commissioner must establish the student achievement rate by July 1 of each year for levies payable in the following year. The student achievement rate must be a rate, rounded up to the nearest hundredth of a percent, that, when applied to the adjusted net tax capacity for all districts, raises the amount specified in this subdivision. The student achievement rate must be the rate that raises \$20,000,000 for fiscal year 2015 and later years. The student achievement rate may not be changed due to changes or corrections made to a district's adjusted net tax capacity after the rate has been established.

Sec. 44. Minnesota Statutes 2012, section 126C.13, is amended by adding a subdivision to read:

Subd. 3b. **Student achievement levy.** To obtain general education revenue, a district may levy an amount not to exceed the student achievement rate times the adjusted net tax capacity of the district for the preceding year. If the amount of the student achievement levy would exceed the general education revenue, the student achievement levy must be determined according to subdivision 3c.

Sec. 45. Minnesota Statutes 2012, section 126C.13, is amended by adding a subdivision to read:

**Subd. 3c. Student achievement levy; districts off the formula.** (a) If the amount of the student achievement levy for a district exceeds the district's general education revenue, excluding operating capital revenue, equity revenue, and transition revenue, the amount of the student achievement levy must be limited to the district's general education revenue, excluding operating capital revenue, equity revenue, and transition revenue.

(b) A levy made according to this subdivision shall also be construed to be the levy made according to subdivision 3b.

Sec. 46. Minnesota Statutes 2012, section 126C.13, subdivision 4, is amended to read:

**Subd. 4. General education aid.** (a) For fiscal years ~~2007~~ 2013 and ~~later~~ 2014 only, a district's general education aid is the sum of the following amounts:

(1) general education revenue, excluding equity revenue, total operating capital revenue, alternative teacher compensation revenue, and transition revenue;

(2) operating capital aid under section 126C.10, subdivision 13b;

(3) equity aid under section 126C.10, subdivision 30;

(4) alternative teacher compensation aid under section 126C.10, subdivision 36;

(5) transition aid under section 126C.10, subdivision 33;

(6) shared time aid under section 126C.01, subdivision 7;

(7) referendum aid under section 126C.17, subdivisions 7 and 7a; and

(8) online learning aid according to section 124D.096.

(b) For fiscal year 2015 and later, a district's general education aid equals:

(1) general education revenue, excluding operating capital revenue, equity revenue, and transition revenue, minus the student achievement levy, multiplied times the ratio of the actual amount of student achievement levy levied to the permitted student achievement levy; plus

(2) equity aid under section 126C.10, subdivision 30; plus

(3) transition aid under section 126C.10, subdivision 33; plus

(4) shared time aid under section 126C.10, subdivision 7; plus

(5) referendum aid under section 126C.17, subdivisions 7 and 7a; plus

(6) online learning aid under section 124D.096.

Sec. 47. Minnesota Statutes 2012, section 126C.15, subdivision 1, is amended to read:

Subdivision 1. **Use of revenue.** The basic skills revenue under section 126C.10, subdivision 4, must be reserved and used to meet the educational needs of pupils who enroll under-prepared to learn and whose progress toward meeting state or local content or performance standards is below the level that is appropriate for learners of their age. Basic skills revenue may also be used for programs designed to prepare children and their families for entry into school whether the student first enrolls in kindergarten or first grade. Any of the following may be provided to meet these learners' needs:

- (1) direct instructional services under the assurance of mastery program according to section 124D.66;
- (2) remedial instruction in reading, language arts, mathematics, other content areas, or study skills to improve the achievement level of these learners;
- (3) additional teachers and teacher aides to provide more individualized instruction to these learners through individual tutoring, lower instructor-to-learner ratios, or team teaching;
- (4) a longer school day or week during the regular school year or through a summer program that may be offered directly by the site or under a performance-based contract with a community-based organization;
- (5) comprehensive and ongoing staff development consistent with district and site plans according to section 122A.60, for teachers, teacher aides, principals, and other personnel to improve their ability to identify the needs of these learners and provide appropriate remediation, intervention, accommodations, or modifications;
- (6) instructional materials, digital learning, and technology appropriate for meeting the individual needs of these learners;
- (7) programs to reduce truancy, encourage completion of high school, enhance self-concept, provide health services, provide nutrition services, provide a safe and secure learning environment, provide coordination for pupils receiving services from other governmental agencies, provide psychological services to determine the level of social, emotional, cognitive, and intellectual development, and provide counseling services, guidance services, and social work services;
- (8) bilingual programs, bicultural programs, and programs for English learners;
- (9) all day kindergarten;
- (10) early education programs, parent-training programs, school readiness programs, kindergarten programs for four-year-olds, voluntary home visits under section 124D.13, subdivision 4, and other outreach efforts designed to prepare children for kindergarten;
- (11) extended school day and extended school year programs; and
- ~~(12)~~ (12) substantial parent involvement in developing and implementing remedial education or intervention plans for a learner, including learning contracts between the school, the learner, and the parent that establish achievement goals and responsibilities of the learner and the learner's parent or guardian.

**EFFECTIVE DATE.** This section is effective for revenue for fiscal year 2014 and later.

Sec. 48. Minnesota Statutes 2012, section 126C.15, subdivision 2, is amended to read:

Subd. 2. **Building allocation.** (a) A district or cooperative must allocate its compensatory revenue to each school building in the district or cooperative where the children who have generated the revenue are served unless the school district or cooperative has received permission under Laws 2005, First Special Session chapter 5, article 1, section 50, to allocate compensatory revenue according to student performance measures developed by the school board.

(b) Notwithstanding paragraph (a), a district or cooperative may allocate up to five percent of the amount of compensatory revenue that the district receives to school sites according to a plan adopted by the school board, and a district or cooperative may allocate up to an additional five percent of its compensatory revenue for activities under subdivision 1, clause (10), according to a plan adopted by the school board. The money reallocated under this paragraph must be spent for the purposes listed in subdivision 1, but may be spent on students in any grade, including students attending school readiness or other prekindergarten programs.

(c) For the purposes of this section and section 126C.05, subdivision 3, "building" means education site as defined in section 123B.04, subdivision 1.

(d) Notwithstanding section 123A.26, subdivision 1, compensatory revenue generated by students served at a cooperative unit shall be paid to the cooperative unit.

(e) A district or cooperative with school building openings, school building closings, changes in attendance area boundaries, or other changes in programs or student demographics between the prior year and the current year may reallocate compensatory revenue among sites to reflect these changes. A district or cooperative must report to the department any adjustments it makes according to this paragraph and the department must use the adjusted compensatory revenue allocations in preparing the report required under section 123B.76, subdivision 3, paragraph (c).

**EFFECTIVE DATE.** This section is effective for revenue for fiscal year 2014 and later.

Sec. 49. Minnesota Statutes 2012, section 126C.17, is amended to read:

#### **126C.17 REFERENDUM REVENUE.**

Subdivision 1. **Referendum allowance.** ~~(a) For fiscal year 2003 and later, a district's initial referendum revenue allowance equals the sum of the allowance under section 126C.16, subdivision 2, plus any additional allowance per resident marginal cost pupil unit authorized under subdivision 9 before May 1, 2001, for fiscal year 2002 and later, plus the referendum conversion allowance approved under subdivision 13, minus \$415. For districts with more than one referendum authority, the reduction must be computed separately for each authority. The reduction must be applied first to the referendum conversion allowance and next to the authority with the earliest expiration date. A district's initial referendum revenue allowance may not be less than zero.~~

~~(b) For fiscal year 2003, a district's referendum revenue allowance equals the initial referendum allowance plus any additional allowance per resident marginal cost pupil unit authorized under subdivision 9 between April 30, 2001, and December 30, 2001, for fiscal year 2003 and later.~~

~~(c) For fiscal year 2004 and later, a district's referendum revenue allowance equals the sum of:~~

~~(1) the product of (i) the ratio of the resident marginal cost pupil units the district would have counted for fiscal year 2004 under Minnesota Statutes 2002, section 126C.05, to the district's resident marginal cost pupil units for fiscal year 2004, times (ii) the initial referendum allowance plus any additional allowance per resident marginal cost pupil unit authorized under subdivision 9 between April 30, 2001, and May 30, 2003, for fiscal year 2003 and later, plus~~

~~(2) any additional allowance per resident marginal cost pupil unit authorized under subdivision 9 after May 30, 2003, for fiscal year 2005 and later.~~

(a) A district's initial referendum allowance for fiscal year 2015 equals the result of the following calculations:

(1) multiply the referendum allowance the district would have received for fiscal year 2015 under Minnesota Statutes 2012, section 126C.17, subdivision 1, based on elections held before July 1, 2013, by the resident marginal cost pupil units the district would have counted for fiscal year 2015 under Minnesota Statutes 2012, section 126C.05;

(2) add to the result of clause (1) the adjustment the district would have received under Minnesota Statutes 2012, section 127A.47, subdivision 7, paragraphs (a), (b), and (c), based on elections held before July 1, 2013;

(3) divide the result of clause (2) by the district's adjusted pupil units for fiscal year 2015; and

(4) if the result of clause (3) is less than zero, set the allowance to zero.

(b) A district's referendum allowance equals the sum of the district's initial referendum allowance for fiscal year 2015, plus any additional referendum allowance per adjusted pupil unit authorized after June 30, 2013, minus any allowances expiring in fiscal year 2016 or later. For a district with more than one referendum allowance for fiscal year 2015 under Minnesota Statutes 2012, section 126C.17, the allowance calculated under paragraph (a) must be divided into components such that the same percentage of the district's allowance expires at the same time as the old allowances would have expired under Minnesota Statutes 2012, section 126C.17.

Subd. 2. **Referendum allowance limit.** (a) Notwithstanding subdivision 1, for fiscal year ~~2007~~ 2015 and later, a district's referendum allowance must not exceed ~~the greater of:~~

~~(1) the sum of: (i) a district's referendum allowance for fiscal year 1994 times 1.177 times the annual inflationary increase as calculated under paragraph (b) plus (ii) its referendum conversion allowance for fiscal year 2003, minus (iii) \$215;~~

~~(2) the greater of (i): 26 percent of the formula allowance or (ii) \$1,294 times the annual inflationary increase as calculated under paragraph (b); or~~ times the greatest of:

(1) \$1,845;

(2) the sum of the referendum revenue the district would have received for fiscal year 2015 under Minnesota Statutes 2012, section 126C.17, subdivision 4, based on elections held before July 1, 2013, and the adjustment the district would have received under Minnesota Statutes 2012, section 127A.47, subdivision 7, paragraphs (a), (b), and (c), based on elections held before July 1, 2013, divided by the district's adjusted pupil units for fiscal year 2015; or

(3) the product of the referendum allowance limit the district would have received for fiscal year 2015 under Minnesota Statutes 2012, section 126C.17, subdivision 2, and the resident marginal cost pupil units the district would have received for fiscal year 2015 under Minnesota Statutes 2012, section 126C.05, subdivision 6, plus the adjustment the district would have received under Minnesota Statutes 2012, section 127A.47, subdivision 7, paragraphs (a), (b), and (c), based on elections held before July 1, 2013, divided by the district's adjusted pupil units for fiscal year 2015; or

~~(3)~~ (4) for a newly reorganized district created after July 1, 2006 2013, the referendum revenue authority for each reorganizing district in the year preceding reorganization divided by its ~~resident marginal cost~~ adjusted pupil units for the year preceding reorganization.

(b) For purposes of this subdivision, for fiscal year ~~2005~~ 2016 and later, "inflationary increase" means one plus the percentage change in the Consumer Price Index for urban consumers, as prepared by the United States Bureau of Labor Standards, for the current fiscal year to fiscal year ~~2004~~ 2015. For fiscal years ~~2009~~ year 2016 and later, for purposes of paragraph (a), clause ~~(4)~~ (3), the inflationary increase equals ~~the inflationary increase for fiscal year 2008 plus one-fourth of the percentage increase in the formula allowance for that year compared with the formula allowance for fiscal year 2008~~ 2015.

Subd. 3. **Sparsity exception.** A district that qualifies for sparsity revenue under section 126C.10 is not subject to a referendum allowance limit.

Subd. 4. **Total referendum revenue.** The total referendum revenue for each district equals the district's referendum allowance times the ~~resident marginal cost~~ adjusted pupil units for the school year.

Subd. 5. **Referendum equalization revenue.** (a) ~~For fiscal year 2003 and later,~~ A district's referendum equalization revenue equals the sum of the first tier referendum equalization revenue and the second tier referendum equalization revenue.

(b) A district's first tier referendum equalization revenue equals the district's first tier referendum equalization allowance times the district's ~~resident marginal cost~~ adjusted pupil units for that year.

(c) ~~For fiscal year 2006, a district's first tier referendum equalization allowance equals the lesser of the district's referendum allowance under subdivision 1 or \$500. For fiscal year 2007, a district's first tier referendum equalization allowance equals the lesser of the district's referendum allowance under subdivision 1 or \$600.~~

~~For fiscal year 2008 and later,~~ A district's first tier referendum equalization allowance equals the lesser of the district's referendum allowance under subdivision 1 or ~~\$700~~ \$760.

(d) A district's second tier referendum equalization revenue equals the district's second tier referendum equalization allowance times the district's ~~resident marginal cost~~ adjusted pupil units for that year.

(e) ~~For fiscal year 2006, a district's second tier referendum equalization allowance equals the lesser of the district's referendum allowance under subdivision 1 or 18.6 percent of the formula allowance, minus the district's first tier referendum equalization allowance. For fiscal year 2007 and later,~~ A district's second tier referendum equalization allowance equals the lesser of the district's referendum allowance under subdivision 1 or ~~26~~ 25 percent of the formula allowance, minus the district's first tier referendum equalization allowance.

(f) Notwithstanding paragraph (e), the second tier referendum allowance for a district qualifying for secondary sparsity revenue under section 126C.10, subdivision 7, or elementary sparsity revenue under section 126C.10, subdivision 8, equals the district's referendum allowance under subdivision 1 minus the district's first tier referendum equalization allowance.

Subd. 6. **Referendum equalization levy.** (a) For fiscal year 2003 and later, a district's referendum equalization levy equals the sum of the first tier referendum equalization levy and the second tier referendum equalization levy.

(b) A district's first tier referendum equalization levy equals the district's first tier referendum equalization revenue times the lesser of one or the ratio of the district's referendum market value per resident ~~marginal cost~~ pupil unit to ~~\$476,000~~ \$510,000.

(c) A district's second tier referendum equalization levy equals the district's second tier referendum equalization revenue times the lesser of one or the ratio of the district's referendum market value per resident ~~marginal cost~~ pupil unit to ~~\$270,000~~ \$290,000.

Subd. 7. **Referendum equalization aid.** (a) A district's referendum equalization aid equals the difference between its referendum equalization revenue and levy.

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

(c) Notwithstanding paragraph (a), the referendum equalization aid for a district, where the referendum equalization aid under paragraph (a) exceeds 90 percent of the referendum revenue, must not exceed ~~26~~ 25 percent of the formula allowance times the district's ~~resident marginal cost~~ adjusted pupil units. A district's referendum levy is increased by the amount of any reduction in referendum aid under this paragraph.

Subd. 7a. **Referendum tax base replacement aid.** For each school district that had a referendum allowance for fiscal year 2002 exceeding \$415, for each separately authorized referendum levy, the commissioner of revenue, in consultation with the commissioner of education, shall certify the amount of the referendum levy in taxes payable year 2001 attributable to the portion of the referendum allowance exceeding \$415 levied against property classified as class 2, noncommercial 4c(1), or 4c(4), under section 273.13, excluding the portion of the tax paid by the portion of class 2a property consisting of the house, garage, and surrounding one acre of land. The resulting amount must be used to reduce the district's referendum levy amount otherwise determined, and must be paid to the district each year that the referendum authority remains in effect, is renewed, or new referendum authority is approved. The aid payable under this subdivision must be subtracted from the district's referendum equalization aid under subdivision 7. The referendum equalization aid after the subtraction must not be less than zero.

Subd. 7b. **Referendum aid guarantee.** (a) Notwithstanding subdivision 7, a district's referendum equalization aid for fiscal year 2015 must not be less than the sum of the referendum equalization aid the district would have received for fiscal year 2015 under Minnesota Statutes 2012, section 126C.17, subdivision 7, and the adjustment the district would have received under Minnesota Statutes 2012, section 127A.47, subdivision 7, paragraphs (a), (b), and (c).

(b) Notwithstanding subdivision 7, referendum equalization aid for fiscal year 2016 and later, for a district qualifying for additional aid under paragraph (a) for fiscal year 2015, must not be less than the product of (1) the district's referendum equalization aid for fiscal year 2015, times (2) the lesser of one or the ratio of the district's referendum revenue for that school year to the district's referendum revenue for fiscal year 2015, times (3) the lesser of one or the ratio of the district's referendum market value used for fiscal year 2015 referendum equalization calculations to the district's referendum market value used for that year's referendum equalization calculations.

Subd. 8. **Unequalized referendum levy.** Each year, a district may levy an amount equal to the difference between its total referendum revenue according to subdivision 4 and its referendum equalization revenue according to subdivision 5.

Subd. 9. **Referendum revenue.** (a) The revenue authorized by section 126C.10, subdivision 1, may be increased in the amount approved by the voters of the district at a referendum called for the purpose. The referendum may be called by the board. The referendum must be conducted one or two calendar years before the increased levy authority, if approved, first becomes payable. Only one election to approve an increase may be held in a calendar year. Unless the referendum is conducted by mail under subdivision 11, paragraph (a), the referendum must be held on the first Tuesday after the first Monday in November. The ballot must state the maximum amount of the increased revenue per ~~resident marginal cost~~ adjusted pupil unit. The ballot may state a schedule, determined by the board, of increased revenue per ~~resident marginal cost~~ adjusted pupil unit that differs from year to year over the number of years for which the increased revenue is authorized or may state that the amount shall increase annually by the rate of inflation. For this purpose, the rate of inflation shall be the annual inflationary increase calculated under subdivision 2, paragraph (b). The ballot may state that existing referendum levy authority is expiring. In this case, the ballot may also compare the proposed levy authority to the existing expiring levy authority, and express the proposed increase as the amount, if any, over the expiring referendum levy authority. The



ballot must designate the specific number of years, not to exceed ten, for which the referendum authorization applies. The ballot, including a ballot on the question to revoke or reduce the increased revenue amount under paragraph (c), must abbreviate the term "per ~~resident marginal cost~~ adjusted pupil unit" as "per pupil." The notice required under section 275.60 may be modified to read, in cases of renewing existing levies at the same amount per pupil as in the previous year:

"BY VOTING "YES" ON THIS BALLOT QUESTION, YOU ARE VOTING TO EXTEND AN EXISTING PROPERTY TAX REFERENDUM THAT IS SCHEDULED TO EXPIRE."

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

"Shall the increase in the revenue proposed by (petition to) the board of ....., School District No. ..., be approved?"

If approved, an amount equal to the approved revenue per ~~resident marginal cost~~ adjusted pupil unit times the ~~resident marginal cost~~ adjusted pupil units for the school year beginning in the year after the levy is certified shall be authorized for certification for the number of years approved, if applicable, or until revoked or reduced by the voters of the district at a subsequent referendum.

(b) The board must prepare and deliver by first class mail at least 15 days but no more than 30 days before the day of the referendum to each taxpayer a notice of the referendum and the proposed revenue increase. The board need not mail more than one notice to any taxpayer. For the purpose of giving mailed notice under this subdivision, owners must be those shown to be owners on the records of the county auditor or, in any county where tax statements are mailed by the county treasurer, on the records of the county treasurer. Every property owner whose name does not appear on the records of the county auditor or the county treasurer is deemed to have waived this mailed notice unless the owner has requested in writing that the county auditor or county treasurer, as the case may be, include the name on the records for this purpose. The notice must project the anticipated amount of tax increase in annual dollars for typical residential homesteads, agricultural homesteads, apartments, and commercial-industrial property within the school district.

The notice for a referendum may state that an existing referendum levy is expiring and project the anticipated amount of increase over the existing referendum levy in the first year, if any, in annual dollars for typical residential homesteads, agricultural homesteads, apartments, and commercial-industrial property within the district.

The notice must include the following statement: "Passage of this referendum will result in an increase in your property taxes." However, in cases of renewing existing levies, the notice may include the following statement: "Passage of this referendum extends an existing operating referendum at the same amount per pupil as in the previous year."

(c) A referendum on the question of revoking or reducing the increased revenue amount authorized pursuant to paragraph (a) may be called by the board. A referendum to revoke or reduce the revenue amount must state the amount per resident marginal cost pupil unit by which the authority is to be reduced. Revenue authority approved by the voters of the district pursuant to paragraph (a) must be available to the school district at least once before it is subject to a referendum on its revocation or reduction for subsequent years. Only one revocation or reduction referendum may be held to revoke or reduce referendum revenue for any specific year and for years thereafter.

(d) The approval of 50 percent plus one of those voting on the question is required to pass a referendum authorized by this subdivision.

(e) At least 15 days before the day of the referendum, the district must submit a copy of the notice required under paragraph (b) to the commissioner and to the county auditor of each county in which the district is located. Within 15 days after the results of the referendum have been certified by the board, or in the case of a recount, the certification of the results of the recount by the canvassing board, the district must notify the commissioner of the results of the referendum.

Subd. 10. **School referendum levy; market value.** A school referendum levy must be levied against the referendum market value of all taxable property as defined in section 126C.01, subdivision 3. Any referendum levy amount subject to the requirements of this subdivision must be certified separately to the county auditor under section 275.07.

Subd. 11. **Referendum date.** (a) Except for a referendum held under paragraph (b), any referendum under this section held on a day other than the first Tuesday after the first Monday in November must be conducted by mail in accordance with section 204B.46. Notwithstanding subdivision 9, paragraph (b), to the contrary, in the case of a referendum conducted by mail under this paragraph, the notice required by subdivision 9, paragraph (b), must be prepared and delivered by first-class mail at least 20 days before the referendum.

(b) In addition to the referenda allowed in subdivision 9, clause (a), the commissioner may grant authority to a district to hold a referendum on a different day if the district is in statutory operating debt and has an approved plan or has received an extension from the department to file a plan to eliminate the statutory operating debt.

(c) The commissioner must approve, deny, or modify each district's request for a referendum levy on a different day within 60 days of receiving the request from a district.

Subd. 13. **Referendum conversion allowance.** A school district that received supplemental or transition revenue in fiscal year 2002 may convert its supplemental revenue conversion allowance and transition revenue conversion allowance to additional referendum allowance under subdivision 1 for fiscal year 2003 and thereafter. A majority of the school board must approve the conversion at a public meeting before November 1, 2001. For a district with other referendum authority, the referendum conversion allowance approved by the board continues until the portion of the district's other referendum authority with the earliest expiration date after June 30, 2006, expires. For a district with no other referendum authority, the referendum conversion allowance approved by the board continues until June 30, 2012.

**EFFECTIVE DATE.** This section is effective for revenue for fiscal year 2015 and later.

Sec. 50. Minnesota Statutes 2012, section 126C.20, is amended to read:

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

There is annually appropriated from the general fund to the department the amount necessary for general education aid under section 126C.13, ~~the early graduation achievement scholarship program under section 120B.08, and the early graduation military service award program under section 120B.09.~~ This amount must be reduced by the amount of any money specifically appropriated for the same purpose in any year from any state fund.

**EFFECTIVE DATE.** This section is effective for revenue in fiscal year 2014 and later.

Sec. 51. Minnesota Statutes 2012, section 126C.40, subdivision 1, is amended to read:

Subdivision 1. **To lease building or land.** (a) When an independent or a special school district or a group of independent or special school districts finds it economically advantageous to rent or lease a building or land for any instructional purposes or for school storage or furniture repair, and it determines that the operating capital revenue authorized under section 126C.10, subdivision 13, is insufficient for this purpose, it may apply to the commissioner for permission to make an additional capital expenditure levy for this purpose. An application for permission to levy under this subdivision must contain financial justification for the proposed levy, the terms and conditions of the proposed lease, and a description of the space to be leased and its proposed use.

(b) The criteria for approval of applications to levy under this subdivision must include: the reasonableness of the price, the appropriateness of the space to the proposed activity, the feasibility of transporting pupils to the leased building or land, conformity of the lease to the laws and rules of the state of Minnesota, and the appropriateness of the proposed lease to the space needs and the financial condition of the district. The commissioner must not authorize a levy under this subdivision in an amount greater than the cost to the district of renting or leasing a building or land for approved purposes. The proceeds of this levy must not be used for custodial or other maintenance services. A district may not levy under this subdivision for the purpose of leasing or renting a district-owned building or site to itself.

(c) For agreements finalized after July 1, 1997, a district may not levy under this subdivision for the purpose of leasing: (1) a newly constructed building used primarily for regular kindergarten, elementary, or secondary instruction; or (2) a newly constructed building addition or additions used primarily for regular kindergarten, elementary, or secondary instruction that contains more than 20 percent of the square footage of the previously existing building.

(d) Notwithstanding paragraph (b), a district may levy under this subdivision for the purpose of leasing or renting a district-owned building or site to itself only if the amount is needed by the district to make payments required by a lease purchase agreement, installment purchase agreement, or other deferred payments agreement authorized by law, and the levy meets the requirements of paragraph (c). A levy authorized for a district by the commissioner under this paragraph may be in the amount needed by the district to make payments required by a lease purchase agreement, installment purchase agreement, or other deferred payments agreement authorized by law, provided that any agreement include a provision giving the school districts the right to terminate the agreement annually without penalty.

(e) The total levy under this subdivision for a district for any year must not exceed ~~\$150~~ \$162 times the ~~resident~~ adjusted pupil units for the fiscal year to which the levy is attributable.

(f) For agreements for which a review and comment have been submitted to the Department of Education after April 1, 1998, the term "instructional purpose" as used in this subdivision excludes expenditures on stadiums.

(g) The commissioner of education may authorize a school district to exceed the limit in paragraph (e) if the school district petitions the commissioner for approval. The commissioner shall grant approval to a school district to exceed the limit in paragraph (e) for not more than five years if the district meets the following criteria:

- (1) the school district has been experiencing pupil enrollment growth in the preceding five years;
- (2) the purpose of the increased levy is in the long-term public interest;
- (3) the purpose of the increased levy promotes colocation of government services; and

(4) the purpose of the increased levy is in the long-term interest of the district by avoiding over construction of school facilities.

(h) A school district that is a member of an intermediate school district may include in its authority under this section the costs associated with leases of administrative and classroom space for intermediate school district programs. This authority must not exceed ~~\$43~~ \$46 times the ~~adjusted marginal cost~~ pupil units of the member districts. This authority is in addition to any other authority authorized under this section.

(i) In addition to the allowable capital levies in paragraph (a), for taxes payable in 2012 to 2023, a district that is a member of the "Technology and Information Education Systems" data processing joint board, that finds it economically advantageous to enter into a lease agreement to finance improvements to a building and land for a group of school districts or special school districts for staff development purposes, may levy for its portion of lease costs attributed to the district within the total levy limit in paragraph (e). The total levy authority under this paragraph shall not exceed \$632,000.

(j) Notwithstanding paragraph (a), a district may levy under this subdivision for the purpose of leasing administrative space if the district can demonstrate to the satisfaction of the commissioner that the lease cost for the administrative space is no greater than the lease cost for instructional space that the district would otherwise lease. The commissioner must deny this levy authority unless the district passes a resolution stating its intent to lease instructional space under this section if the commissioner does not grant authority under this paragraph. The resolution must also certify that the lease cost for administrative space under this paragraph is no greater than the lease cost for the district's proposed instructional lease.

**EFFECTIVE DATE.** This section is effective for revenue for fiscal year 2015 and later.

Sec. 52. Minnesota Statutes 2012, section 126C.40, subdivision 6, is amended to read:

Subd. 6. **Lease purchase; installment buys.** (a) Upon application to, and approval by, the commissioner in accordance with the procedures and limits in subdivision 1, paragraphs (a) and (b), a district, as defined in this subdivision, may:

(1) purchase real or personal property under an installment contract or may lease real or personal property with an option to purchase under a lease purchase agreement, by which installment contract or lease purchase agreement title is kept by the seller or vendor or assigned to a third party as security for the purchase price, including interest, if any; and

(2) annually levy the amounts necessary to pay the district's obligations under the installment contract or lease purchase agreement.

(b) The obligation created by the installment contract or the lease purchase agreement must not be included in the calculation of net debt for purposes of section 475.53, and does not constitute debt under other law. An election is not required in connection with the execution of the installment contract or the lease purchase agreement.

(c) The proceeds of the levy authorized by this subdivision must not be used to acquire a facility to be primarily used for athletic or school administration purposes.

(d) For the purposes of this subdivision, "district" means:

(1) ~~a school district which is eligible for revenue under section 124D.86, subdivision 3, clause (1), (2), or (3), and whose~~ Special School District No. 1, Minneapolis, Independent School District No. 625, St. Paul, Independent School District No. 709, Duluth, or Independent School District No. 535, Rochester, if the district's desegregation plan has been determined by the commissioner to be in compliance with Department of Education rules relating to equality of educational opportunity and school desegregation and, for a district eligible for revenue under section 124D.86, subdivision 3, clause (4) or (5), where the acquisition of property under this subdivision is determined by the commissioner to contribute to the implementation of the desegregation plan; or

(2) ~~a school district that participates in a joint program for interdistrict desegregation with a district defined in clause (1) other districts eligible for revenue under section 124D.862 if the facility acquired under this subdivision is to be primarily used for~~ a joint program for interdistrict desegregation and the commissioner determines that the joint programs are being undertaken to implement the districts' desegregation plan.

(e) Notwithstanding subdivision 1, the prohibition against a levy by a district to lease or rent a district-owned building to itself does not apply to levies otherwise authorized by this subdivision.

(f) For the purposes of this subdivision, any references in subdivision 1 to building or land shall include personal property.

Sec. 53. Minnesota Statutes 2012, section 126C.44, is amended to read:

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

(a) Each district may make a levy on all taxable property located within the district for the purposes specified in this section. The maximum amount which may be levied for all costs under this section shall be equal to ~~\$30~~ \$36 multiplied by the district's adjusted ~~marginal-cost~~ pupil units for the school year. The proceeds of the levy must be reserved and used for directly funding the following purposes or for reimbursing the cities and counties who contract with the district for the following purposes:

(1) to pay the costs incurred for the salaries, benefits, and transportation costs of peace officers and sheriffs for liaison in services in the district's schools;

(2) to pay the costs for a drug abuse prevention program as defined in section 609.101, subdivision 3, paragraph (e), in the elementary schools;

(3) to pay the costs for a gang resistance education training curriculum in the district's schools;

(4) to pay the costs for security in the district's schools and on school property;

(5) to pay the costs for other crime prevention, drug abuse, student and staff safety, voluntary opt-in suicide prevention tools, and violence prevention measures taken by the school district; ~~or~~

(6) to pay costs for licensed school counselors, licensed school nurses, licensed school social workers, licensed school psychologists, and licensed alcohol and chemical dependency counselors to help provide early responses to problems;

(7) to pay for facility security enhancements including laminated glass, public announcement systems, emergency communications devices, and equipment and facility modifications related to violence prevention and facility security;

(8) to pay for costs associated with improving the school climate; or

(9) to pay costs for colocating and collaborating with mental health professionals who are not district employees or contractors.

(b) For expenditures under paragraph (a), clause (1), the district must initially attempt to contract for services to be provided by peace officers or sheriffs with the police department of each city or the sheriff's department of the county within the district containing the school receiving the services. If a local police department or a county sheriff's department does not wish to provide the necessary services, the district may contract for these services with any other police or sheriff's department located entirely or partially within the school district's boundaries.

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

**EFFECTIVE DATE.** This section is effective for revenue for fiscal year 2015 and later.

Sec. 54. Minnesota Statutes 2012, section 127A.47, subdivision 7, is amended to read:

Subd. 7. **Alternative attendance programs.** (a) The general education aid and special education aid for districts must be adjusted for each pupil attending a nonresident district under sections 123A.05 to 123A.08, 124D.03, 124D.08, and 124D.68. The adjustments must be made according to this subdivision.

~~(a) General education aid paid to a resident district must be reduced by an amount equal to the referendum equalization aid attributable to the pupil in the resident district.~~

~~(b) General education aid paid to a district serving a pupil in programs listed in this subdivision must be increased by an amount equal to the greater of (1) the referendum equalization aid attributable to the pupil in the nonresident district; or (2) the product of the district's open enrollment concentration index, the maximum amount of referendum revenue in the first tier, and the district's net open enrollment pupil units for that year. A district's open enrollment concentration index equals the greater of: (i) zero, or (ii) the lesser of 1.0, or the difference between the district's ratio of open enrollment pupil units served to its resident pupil units for that year and 0.2. This clause does not apply to a school district where more than 50 percent of the open enrollment students are enrolled solely in online learning courses.~~

~~(c) If the amount of the reduction to be made from the general education aid of the resident district is greater than the amount of general education aid otherwise due the district, the excess reduction must be made from other state aids due the district.~~

~~(d) For fiscal year 2006, the district of residence must pay tuition to a district or an area learning center, operated according to paragraph (f), providing special instruction and services to a pupil with a disability, as defined in section 125A.02, or a pupil, as defined in section 125A.51, who is enrolled in a program listed in this subdivision. The tuition must be equal to (1) the actual cost of providing special instruction and services to the pupil, including a proportionate amount for special transportation and unreimbursed building lease and debt service costs for facilities used primarily for special education, minus (2) if the pupil receives special instruction and services outside the regular classroom for more than 60 percent of the school day, the amount of general education revenue and referendum aid attributable to that pupil for the portion of time the pupil receives special instruction and services outside of the regular classroom, excluding portions attributable to district and school administration, district support services, operations and maintenance, capital expenditures, and pupil transportation, minus (3) special education aid attributable to that pupil, that is received by the district providing special instruction and services. For purposes of this paragraph, general education revenue and referendum equalization aid attributable to a pupil must be calculated using the serving district's average general education revenue and referendum equalization aid per adjusted pupil unit.~~

~~(e) For fiscal year 2007 and later, special education aid paid to a resident district must be reduced by an amount equal to (b) For purposes of this subdivision, the "unreimbursed cost of providing special education and services" means the difference between: (1) the actual cost of providing special instruction and services, including special transportation and unreimbursed building lease and debt service costs for facilities used primarily for special education, for a pupil with a disability, as defined in section 125A.02, or a pupil, as defined in section 125A.51, who is enrolled in a program listed in this subdivision, minus (2) if the pupil receives special instruction and services outside the regular classroom for more than 60 percent of the school day, the amount of general education revenue and referendum equalization aid attributable to that pupil for the portion of time the pupil receives special instruction and services outside of the regular classroom, excluding portions attributable to district and school administration, district support services, operations and maintenance, capital expenditures, and pupil transportation, minus (3) special education aid under section 125A.76 attributable to that pupil, that is received by the district providing special instruction and services. For purposes of this paragraph, general education revenue and referendum equalization aid attributable to a pupil must be calculated using the serving district's average general education revenue and referendum equalization aid per adjusted pupil unit.~~

(c) For fiscal year 2015 and later, special education aid paid to a resident district must be reduced by an amount equal to 90 percent of the unreimbursed cost of providing special education and services.

(d) Notwithstanding paragraph (c), special education aid paid to a resident district must be reduced by an amount equal to 100 percent of the unreimbursed cost of special education and services provided to students at an intermediate district, cooperative, or charter school where the percent of students eligible for special education services is at least 70 percent of the charter school's total enrollment.

(e) Special education aid paid to the district or cooperative providing special instruction and services for the pupil, or to the fiscal agent district for a cooperative, must be increased by the amount of the reduction in the aid paid to the resident district under paragraphs (c) and (d). If the resident district's special education aid is insufficient to make the full adjustment, the remaining adjustment shall be made to other state aids due to the district.

(f) An area learning center operated by a service cooperative, intermediate district, education district, or a joint powers cooperative may elect through the action of the constituent boards to charge the resident district tuition for pupils rather than to have the general education revenue paid to a fiscal agent school district. Except as provided in paragraph ~~(d)~~ or (e), the district of residence must pay tuition equal to at least 90 percent of the district average general education revenue per pupil unit minus an amount equal to the product of the formula allowance according to section 126C.10, subdivision 2, times ~~.0485~~ .0466, calculated without compensatory revenue and transportation sparsity revenue, times the number of pupil units for pupils attending the area learning center.

**EFFECTIVE DATE.** This section is effective for revenue for fiscal year 2015 and later.

Sec. 55. Minnesota Statutes 2012, section 127A.47, subdivision 8, is amended to read:

Subd. 8. **Charter schools.** (a) The general education aid for districts must be adjusted for each pupil attending a charter school under section 124D.10. The adjustments must be made according to this subdivision.

(b) General education aid paid to a district in which a charter school not providing transportation according to section 124D.10, subdivision 16, is located must be increased by an amount equal to the sum of:

(1) the product of: (i) the sum of an amount equal to the product of the formula allowance according to section 126C.10, subdivision 2, times ~~.0485~~ .0466, plus the transportation sparsity allowance for the district; times (ii) the adjusted ~~marginal-cost~~ pupil units attributable to the pupil; plus

(2) the product of \$223 and the extended time ~~marginal-cost~~ pupil units attributable to the pupil.

**EFFECTIVE DATE.** This section is effective for revenue for fiscal year 2015 and later.

Sec. 56. Minnesota Statutes 2012, section 127A.51, is amended to read:

#### **127A.51 STATEWIDE AVERAGE REVENUE.**

By October 1 of each year the commissioner must estimate the statewide average adjusted general revenue per adjusted ~~marginal-cost~~ pupil unit and the disparity in adjusted general revenue among pupils and districts by computing the ratio of the 95th percentile to the fifth percentile of adjusted general revenue. The commissioner must provide that information to all districts.

If the disparity in adjusted general revenue as measured by the ratio of the 95th percentile to the fifth percentile increases in any year, the commissioner shall recommend to the legislature options for change in the general education formula that will limit the disparity in adjusted general revenue to no more than the disparity for the previous school year. The commissioner must submit the recommended options to the education committees of the legislature by January 15.

For purposes of this section and section 126C.10, adjusted general revenue means:

~~(1) for fiscal year 2002, the sum of basic revenue under section 126C.10, subdivision 2; supplemental revenue under section 126C.10, subdivisions 9 and 12; transition revenue under section 126C.10, subdivision 20; referendum revenue under section 126C.17; and equity revenue under section 126C.10, subdivisions 24a and 24b; and~~

~~(2) for fiscal year 2003 and later, the sum of basic revenue under section 126C.10, subdivision 2; referendum revenue under section 126C.17; and equity revenue under section 126C.10, subdivisions 24a and 24b.~~

**EFFECTIVE DATE.** This section is effective for revenue for fiscal year 2015 and later.

Sec. 57. **SCHOOL DISTRICT LEVY ADJUSTMENTS.**

Subdivision 1. **Tax rate adjustment.** The commissioner of education must adjust each school district tax rate established under Minnesota Statutes, chapters 120B to 127A, by multiplying the rate by the ratio of the statewide total tax capacity for assessment year 2012 as it existed prior to the passage of Regular Session 2013 House File No. 677, or a similarly styled bill passed in a special session, to the statewide total tax capacity for assessment year 2012.

Subd. 2. **Equalizing factors.** The commissioner of education must adjust each school district equalizing factor established under Minnesota Statutes, chapters 120B to 127A, by dividing the equalizing factor by the ratio of the statewide total tax capacity for assessment year 2012 as it existed prior to the passage of Regular Session 2013 House File No. 677, or a similarly styled bill passed in a special session, to the statewide total tax capacity for assessment year 2012.

Sec. 58. **APPROPRIATIONS.**

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

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

<u>\$6,051,766,000</u>	<u>.....</u>	<u>2014</u>
<u>\$6,370,640,000</u>	<u>.....</u>	<u>2015</u>

The 2014 appropriation includes \$781,842,000 for 2013 and \$5,269,924,000 for 2014.

The 2015 appropriation includes \$823,040,000 for 2014 and \$5,547,600,000 for 2015.

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

<u>\$44,000</u>	<u>.....</u>	<u>2014</u>
<u>\$48,000</u>	<u>.....</u>	<u>2015</u>

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

<u>\$2,747,000</u>	<u>.....</u>	<u>2014</u>
<u>\$3,136,000</u>	<u>.....</u>	<u>2015</u>



The 2014 appropriation includes \$301,000 for 2013 and \$2,446,000 for 2014.

The 2015 appropriation includes \$385,000 for 2014 and \$2,751,000 for 2015.

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

<u>\$472,000</u>	.....	<u>2014</u>
<u>\$480,000</u>	.....	<u>2015</u>

The 2014 appropriation includes \$40,000 for 2013 and \$432,000 for 2014.

The 2015 appropriation includes \$68,000 for 2014 and \$412,000 for 2015.

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

<u>\$15,582,000</u>	.....	<u>2014</u>
<u>\$16,169,000</u>	.....	<u>2015</u>

The 2014 appropriation includes \$2,099,000 for 2013 and \$13,483,000 for 2014.

The 2015 appropriation includes \$2,122,000 for 2014 and \$14,047,000 for 2015.

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

<u>\$18,565,000</u>	.....	<u>2014</u>
<u>\$18,946,000</u>	.....	<u>2015</u>

The 2014 appropriation includes \$2,668,000 for 2013 and \$15,897,000 for 2014.

The 2015 appropriation includes \$2,502,000 for 2014 and \$16,444,000 for 2015.

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

<u>\$65,000</u>	.....	<u>2014</u>
<u>\$65,000</u>	.....	<u>2015</u>

Subd. 9. **Compensatory revenue pilot project.** For grants for participation in the compensatory revenue pilot program under Laws 2005, First Special Session chapter 5, article 1, section 50, as amended by Laws 2007, chapter 146, article 1, section 21:

<u>\$7,325,000</u>		<u>2014</u>
<u>\$7,325,000</u>		<u>2015</u>

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

\$470,000 in each year is for a grant to Independent School District No. 241, Albert Lea. If a grant to a specific school district is not awarded, the commissioner may increase the aid amounts to any of the remaining participating school districts. The base budget for this program for fiscal year 2016 and later is \$2,325,000, and the grants must be distributed in the same proportion as in fiscal year 2013.

Subd. 10. **Compensatory pilot project formula aid.** For grants for compensatory pilot project formula aid as calculated under Minnesota Statutes, section 126C.195:

<u>\$2,109,000</u>	.....	<u>2014</u>
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The 2014 appropriation includes \$2,109,000 for 2013 and \$0 for 2014.

Subd. 11. **Career and technical aid.** For career and technical aid under Minnesota Statutes, section 124D.4531, subdivision 1b:

<u>\$4,320,000</u>	.....	<u>2014</u>
<u>\$5,680,000</u>	.....	<u>2015</u>

The 2014 appropriation includes \$0 for 2014 and \$4,320,000 for 2015.

The 2015 appropriation includes \$680,000 for 2014 and \$5,000,000 for 2015.

Sec. 59. **REPEALER.**

(a) Minnesota Statutes 2012, sections 120B.08; and 120B.09, are repealed for fiscal year 2014 and later.

(b) Minnesota Statutes 2012, sections 126C.10, subdivisions 31a, 31b, 31c, 34, 35, and 36; 126C.17, subdivision 13; and 127A.50, subdivisions 1 and 5, are repealed for fiscal year 2015 and later.

## ARTICLE 2 STUDENT ACCOUNTABILITY

Section 1. **[120B.018] DEFINITIONS.**

Subdivision 1. **Scope.** The definitions in this section apply to this chapter.

Subd. 2. **Academic standard.** "Academic standard" means a summary description of student learning in a required content area under section 120B.021 or elective content area under section 120B.022.

Subd. 3. **Benchmark.** "Benchmark" means specific knowledge or skill that a student must master to complete part of an academic standard by the end of the grade level or grade band.

Subd. 4. **Credit.** "Credit" means the determination by the local school district that a student has successfully completed an academic year of study or mastered the applicable subject matter.

Subd. 5. **Elective standard.** "Elective standard" means a locally adopted expectation for student learning in career and technical education and world languages.

Subd. 6. **Required standard.** "Required standard" means (1) a statewide adopted expectation for student learning in the content areas of language arts, mathematics, science, social studies, physical education, and the arts, or (2) a locally adopted expectation for student learning in health or the arts.

Sec. 2. Minnesota Statutes 2012, section 120B.02, is amended to read:

**120B.02 EDUCATIONAL EXPECTATIONS AND GRADUATION REQUIREMENTS FOR MINNESOTA'S STUDENTS.**

Subdivision 1. Educational expectations. (a) The legislature is committed to establishing rigorous academic standards for Minnesota's public school students. To that end, the commissioner shall adopt in rule statewide academic standards. The commissioner shall not prescribe in rule or otherwise the delivery system, classroom assessments, or form of instruction that school sites must use. ~~For purposes of this chapter, a school site is a separate facility, or a separate program within a facility that a local school board recognizes as a school site for funding purposes.~~

(b) All commissioner actions regarding the rule must be premised on the following:

(1) the rule is intended to raise academic expectations for students, teachers, and schools;

(2) any state action regarding the rule must evidence consideration of school district autonomy; and

(3) the Department of Education, with the assistance of school districts, must make available information about all state initiatives related to the rule to students and parents, teachers, and the general public in a timely format that is appropriate, comprehensive, and readily understandable.

~~(c) When fully implemented, the requirements for high school graduation in Minnesota must require students to satisfactorily complete, as determined by the school district, the course credit requirements under section 120B.024, all state academic standards or local academic standards where state standards do not apply, and successfully pass graduation examinations as required under section 120B.30.~~

~~(d)~~ (c) The commissioner shall periodically review and report on the state's assessment process.

~~(e)~~ (d) School districts are not required to adopt specific provisions of the federal School-to-Work programs.

Subd. 2. Graduation requirements. To graduate from high school, students must demonstrate to their enrolling school district or school their satisfactory completion of the credit requirements under section 120B.024 and their understanding of academic standards on a nationally normed college entrance exam. A school district must adopt graduation requirements that meet or exceed state graduation requirements established in law or rule.

**EFFECTIVE DATE.** This section is effective August 1, 2013, and applies to students entering grade 9 in the 2013-2014 school year and later.

Sec. 3. Minnesota Statutes 2012, section 120B.021, subdivision 1, is amended to read:

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

(1) language arts;

(2) mathematics;

(3) science;

(4) social studies, including history, geography, economics, and government and citizenship;

(5) physical education;

(6) health, for which locally developed academic standards apply; and

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

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

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

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

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

Sec. 4. Minnesota Statutes 2012, section 120B.023, is amended to read:

#### **120B.023 BENCHMARKS.**

Subdivision 1. **Benchmarks implement, supplement statewide academic standards.** (a) The commissioner must supplement required state academic standards with grade-level benchmarks. High school career and college ready benchmarks may cover more than one grade. ~~The benchmarks must implement statewide academic standards by specifying the academic knowledge and skills that Schools must offer and students must achieve~~ all benchmarks for an academic standard to satisfactorily complete a that state standard. ~~The commissioner must publish benchmarks to inform and guide parents, teachers, school districts, and other interested persons and to use in developing tests consistent with the benchmarks.~~

(b) The commissioner shall publish benchmarks in the State Register and transmit the benchmarks in any other manner that informs and guides parents, teachers, school districts, and other interested persons and makes them accessible to the general public. The commissioner must use benchmarks in developing career and college readiness assessments under section 120B.30. The commissioner may charge a reasonable fee for publications.

(c) Once established, the commissioner may change the benchmarks only with specific legislative authorization and after completing a review under subdivision 2.

~~(d) The commissioner must develop and implement a system for reviewing each of the required academic standards and related benchmarks and elective standards on a periodic cycle, consistent with subdivision 2.~~

~~(e)~~ (d) The benchmarks are not subject to chapter 14 and section 14.386 does not apply.

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

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

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

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

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

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

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

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

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

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

Sec. 5. Minnesota Statutes 2012, section 120B.024, is amended to read:

**120B.024 GRADUATION REQUIREMENTS; COURSE CREDITS.**

Subdivision 1. Graduation requirements. ~~(a)~~ Students beginning 9th grade in the 2011-2012 school year and later must successfully complete the following high school level ~~course~~ credits for graduation:

(1) four credits of language arts sufficient to satisfy all of the academic standards in English language arts;

(2) three credits of mathematics, ~~encompassing at least algebra, geometry, statistics, and probability including an algebra II credit or its equivalent,~~ sufficient to satisfy all of the academic standards in mathematics;

(3) an algebra I credit by the end of 8th grade sufficient to satisfy all of the 8th grade standards in mathematics;

~~(3) (4) three credits of science, including at least—(i) one credit in of biology; and (ii) one chemistry or physics credit or a career and technical education credit that meets standards underlying the chemistry, physics, or biology credit or a combination of those standards approved by the district, but meeting biology standards under this item does not meet the biology requirement under item (i), one credit of chemistry or physics, and one elective credit of science. The combination of credits under this clause must be sufficient to satisfy (i) all of the academic standards in either chemistry or physics and (ii) all other academic standards in science;~~

~~(4) (5) three and one-half credits of social studies, encompassing at least United States history, geography, government and citizenship, world history, and economics or three credits of social studies encompassing at least United States history, geography, government and citizenship, and world history, and one half credit of economics taught in a school's social studies, agriculture education, or business department sufficient to satisfy all of the academic standards in social studies;~~

~~(5) (6) one credit in of the arts sufficient to satisfy all of the state or local academic standards in the arts; and~~

~~(6) (7) a minimum of seven elective course credits.~~

~~A course credit is equivalent to a student successfully completing an academic year of study or a student mastering the applicable subject matter, as determined by the local school district.~~

Subd. 2. Credit equivalencies. (a) A one-half credit of economics taught in a school's agriculture education or business department may fulfill a one-half credit in social studies under subdivision 1, clause (5), if the credit is sufficient to satisfy all of the academic standards in economics.

(b) An agriculture science course or career and technical education credit may fulfill a the elective science credit requirement other than the specified science credit in biology under paragraph (a), clause (3). subdivision 1, clause (4), if the course meets academic standards in science as approved by the district. An agriculture science or career and technical education credit may fulfill the credit in chemistry or physics or the elective science credit required under subdivision 1, clause (4), if (1) the credit meets the chemistry, physics, or biology academic standards or a combination of these academic standards as approved by the district and (2) the student satisfies either all of the chemistry academic standards, all of the physics academic standards, or all of the applicable elective science standards prior to graduation. An agriculture science or career and technical education credit may not fulfill the required biology credit under subdivision 1, clause (4).

(c) A career and technical education course credit may fulfill a mathematics or arts credit requirement or a science credit requirement other than the specified science credit in biology under paragraph (a) subdivision 1, clause (2), (3), or (5) (6).

(d) An agriculture education teacher is not required to meet the requirements of Minnesota Rules, part 3505.1150, subpart 1, item B, to meet the credit equivalency requirements of paragraph (b) above.

**EFFECTIVE DATE.** This section is effective August 1, 2013, and applies to students entering 9th grade in the 2013-2014 school year and later.

Sec. 6. Minnesota Statutes 2012, section 120B.11, is amended to read:

**120B.11 SCHOOL DISTRICT PROCESS FOR REVIEWING CURRICULUM, INSTRUCTION, AND STUDENT ACHIEVEMENT; STRIVING FOR THE WORLD'S BEST WORKFORCE.**

Subdivision 1. **Definitions.** For the purposes of this section and section 120B.10, the following terms have the meanings given them.

(a) "Instruction" means methods of providing learning experiences that enable a student to meet state and district academic standards and graduation requirements.

(b) "Curriculum" means district or school adopted programs and written plans for providing students with learning experiences that lead to expected knowledge and skills and career and college readiness.

(c) "World's best workforce" means striving to: meet school readiness goals; have all third grade students achieve grade-level literacy; close the academic achievement gap among all racial and ethnic groups of students and between students living in poverty and students not living in poverty; have all students attain career and college readiness before graduating from high school; and have all students graduate from high school.

Subd. 1a. **Performance measures.** Measures to determine school district and school site progress in striving to create the world's best workforce must include at least:

(1) student performance on the National Association of Education Progress;

(2) the size of the academic achievement gap by student subgroup;

(3) student performance on the Minnesota Comprehensive Assessments;

(4) high school graduation rates; and

(5) career and college readiness under section 120B.30, subdivision 1.

Subd. 2. **Adopting policies plans and budgets.** A school board, at a public meeting, shall have in place an adopted written policy adopt a comprehensive, long-term strategic plan to support and improve teaching and learning that includes the following is aligned with creating the world's best workforce and includes:

(1) clearly defined district and school site goals and benchmarks for instruction including the use of best practices, district and school curriculum, and student achievement for all student subgroups identified in section 120B.35, subdivision 3, paragraph (b), clause (2);

(2) a process for assessing and evaluating each student's progress toward meeting state and local academic standards and identifying the strengths and weaknesses of instruction in pursuit of student and school success and curriculum affecting students' progress and growth toward career and college readiness and leading to the world's best workforce;

(3) ~~a system for periodically reviewing and evaluating~~ to periodically review and evaluate the effectiveness of all instruction and curriculum, taking into account strategies and best practices, student outcomes, school principal evaluations under section 123B.147, subdivision 3, and teacher evaluations under section 122A.40, subdivision 8, or 122A.41, subdivision 5;

(4) ~~a plan~~ strategies for improving instruction, curriculum, and student achievement; ~~and~~

(5) ~~an education effectiveness plan aligned with section 122A.625~~ practices that integrates integrate high-quality instruction, rigorous curriculum, and technology, and a collaborative professional culture that develops and supports teacher quality, performance, and effectiveness; and

(6) an annual budget for continuing to implement the district plan.

Subd. 3. **District advisory committee.** Each school board shall establish an advisory committee to ensure active community participation in all phases of planning and improving the instruction and curriculum affecting state and district academic standards, consistent with subdivision 2. A district advisory committee, to the extent possible, shall reflect the diversity of the district and its learning school sites, and shall include teachers, parents, support staff, students, and other community residents. The district may establish building site teams as subcommittees of the district advisory committee under subdivision 4. The district advisory committee shall recommend to the school board rigorous academic standards, student achievement goals and measures consistent with subdivision 1a and sections 120B.022, subdivision 1, paragraphs (b) and (c), and 120B.35, district assessments, and program evaluations. Learning School sites may expand upon district evaluations of instruction, curriculum, assessments, or programs. Whenever possible, parents and other community residents shall comprise at least two-thirds of advisory committee members.

Subd. 4. **Building Site team.** A school may establish a building site team to develop and implement ~~an~~ strategies and education effectiveness plan practices to improve instruction, curriculum, and student achievement at the school site, consistent with subdivision 2. The team ~~shall advise~~ advises the board and the advisory committee about developing the annual budget and revising an instruction and curriculum improvement plan that aligns curriculum, assessment of student progress and growth in meeting state and district academic standards; and instruction.

Subd. 5. **Report.** ~~(a) By October 1 of each year, the school board shall use standard statewide reporting procedures the commissioner develops and adopt a report that includes the following:~~

(1) ~~student achievement goals for meeting state academic standards;~~

(2) ~~results of local assessment data, and any additional test data;~~

(3) ~~the annual school district improvement plans including staff development goals under section 122A.60;~~

(4) ~~information about district and learning site progress in realizing previously adopted improvement plans; and~~

(5) ~~the amount and type of revenue attributed to each education site as defined in section 123B.04.~~

~~(b) Consistent with requirements for school performance reports under section 120B.36, subdivision 1, the school board shall publish a summary of the report in the local newspaper with the largest circulation in the district, by mail, or by electronic means such as on the district Web site. The school board shall hold an annual public meeting to review, and revise where appropriate, student achievement goals, local assessment outcomes, plans, strategies, and practices for improving curriculum and instruction, and to review district success in realizing the previously adopted student achievement goals and related benchmarks and the improvement plans leading to the world's best workforce. If electronic means are used, school districts must publish notice of the report in a periodical of general circulation in the district. School districts must make copies of the report available to the public on request.~~



~~(c) The title of the report shall contain the name and number of the school district and read "Annual Report on Curriculum, Instruction, and Student Achievement." The report must include at least the following information about advisory committee membership:~~

- ~~(1) the name of each committee member and the date when that member's term expires;~~
- ~~(2) the method and criteria the school board uses to select committee members; and~~
- ~~(3) the date by which a community resident must apply to next serve on the committee. The school board must transmit an electronic summary of its report to the commissioner in the form and manner the commissioner determines.~~

~~Subd. 6. **Student evaluation.** The school board annually shall provide high school graduates or GED recipients who receive a diploma or its equivalent from the school district with an opportunity to report to the board on the following:~~

- ~~(1) the quality of district instruction, curriculum, and services;~~
- ~~(2) the quality of district delivery of instruction, curriculum, and services;~~
- ~~(3) the utility of district facilities; and~~
- ~~(4) the effectiveness of district administration.~~

~~Subd. 7. **Periodic report.** Each school district shall periodically ask survey affected constituencies about their connection to and level of satisfaction with school. The district shall include the results of this evaluation in the summary report required under subdivision 5.~~

~~Subd. 8. **Biennial evaluation; assessment program.** At least once every two years, the district report shall include an evaluation of the district testing programs, according to the following:~~

- ~~(1) written objectives of the assessment program;~~
- ~~(2) names of tests and grade levels tested;~~
- ~~(3) use of test results; and~~
- ~~(4) student achievement results compared to previous years.~~

~~Subd. 9. **Annual evaluation.** (a) The commissioner must identify effective strategies, practices, and use of resources by districts and school sites in striving for the world's best workforce. The commissioner must assist districts and sites throughout the state in implementing these effective strategies, practices, and use of resources.~~

~~(b) The commissioner must identify those districts in any consecutive three-year period not making sufficient progress toward improving teaching and learning and striving for the world's best workforce. The commissioner, in collaboration with the identified district, may require the district to use up to two percent of its basic general education revenue per fiscal year during the proximate three school years to implement commissioner-specified strategies and practices, consistent with paragraph (a), to improve and accelerate its progress in realizing its goals under this section. In implementing this section, the commissioner must consider districts' budget constraints and legal obligations.~~

**EFFECTIVE DATE.** This section is effective for the 2013-2014 school year and later.

Sec. 7. **[120B.115] REGIONAL CENTERS OF EXCELLENCE.**

(a) Regional centers of excellence are established to assist and support school boards, school districts, school sites, and charter schools in implementing research-based interventions and practices to increase the students' achievement within a region. The centers must develop partnerships with local and regional service cooperatives, postsecondary institutions, integrated school districts, the department, children's mental health providers, or other local or regional entities interested in providing a cohesive and consistent regional delivery system that serves all schools equitably. Centers must assist school districts, school sites, and charter schools in developing similar partnerships. Center support may include assisting school districts, school sites, and charter schools with common principles of effective practice, including:

(1) defining measurable education goals under section 120B.11, subdivision 2;

(2) implementing evidence-based practices;

(3) engaging in data-driven decision-making;

(4) providing multi-layered levels of support;

(5) supporting culturally responsive teaching and learning aligning state and local academic standards and career and college readiness benchmarks; and

(6) engaging parents, families, youth, and local community members in programs and activities at the school district, school site, or charter school.

Centers must work with school site leadership teams to build capacity to implement programs that close the achievement gap, increase students' progress and growth toward career and college readiness, and increase student graduation rates.

(b) The department must assist the regional centers of excellence to meet staff, facilities, and technical needs, provide the centers with programmatic support, and work with the centers to establish a coherent statewide system of regional support, including consulting, training, and technical support, to help school boards, school districts, school sites, and charter schools effectively and efficiently implement the world's best workforce goals under section 120B.11 and other state and federal education initiatives.

Sec. 8. Minnesota Statutes 2012, section 120B.125, is amended to read:

**120B.125 PLANNING FOR STUDENTS' SUCCESSFUL TRANSITION TO POSTSECONDARY EDUCATION AND EMPLOYMENT; INVOLUNTARY CAREER TRACKING PROHIBITED.**

(a) Consistent with sections 120B.128, 120B.13, 120B.131, 120B.132, 120B.14, 120B.15, 120B.30, subdivision 1, paragraph (c), 125A.08, and other related sections, school districts ~~are strongly encouraged to,~~ beginning in the 2013-2014 school year, must assist all students by no later than grade 9 to explore their college and career interests and aspirations and develop a plan for a smooth and successful transition to postsecondary education or employment. All students' plans must be designed to:

(1) provide a comprehensive academic plan for completing a college and career-ready curriculum premised on meeting state and local academic standards and developing 21st century skills such as team work, collaboration, and good work habits;

(2) emphasize academic rigor and high expectations;

(3) help students identify personal learning styles that may affect their postsecondary education and employment choices;

(4) help students ~~succeed at gaining~~ gain access to postsecondary education and career options;

(5) integrate strong academic content into career-focused courses and integrate relevant career-focused courses into strong academic content;

(6) help students and families identify and gain access to appropriate counseling and other supports and assistance that enable students to complete required coursework, prepare for postsecondary education and careers, and obtain information about postsecondary education costs and eligibility for financial aid and scholarship;

(7) help students and families identify collaborative partnerships of kindergarten through grade 12 schools, postsecondary institutions, economic development agencies, and employers that support students' transition to postsecondary education and employment and provide students with experiential learning opportunities; and

(8) be reviewed and revised at least annually by the student, the student's parent or guardian, and the school or district to ensure that the student's course-taking schedule keeps the student "~~on track~~" making adequate progress to meet state and local high school graduation requirements and with a reasonable chance to succeed with employment or postsecondary education without the need to first complete remedial course work.

(b) A school district may develop grade-level curricula or provide instruction that introduces students to various careers, but must not require any curriculum, instruction, or employment-related activity that obligates an elementary or secondary student to involuntarily select a career, career interest, employment goals, or related job training.

~~(c) School districts are encouraged to seek and use revenue and in kind contributions from nonstate sources and to seek administrative cost savings through innovative local funding arrangements, such as the Collaboration Among Rochester Educators (CARE) model for funding postsecondary enrollment options, among other sources, for purposes of implementing this section.~~

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

Sec. 9. Minnesota Statutes 2012, section 120B.128, is amended to read:

**120B.128 EDUCATIONAL PLANNING AND ASSESSMENT SYSTEM (EPAS) PROGRAM.**

(a) School districts and charter schools may elect to participate in the Educational Planning and Assessment System (EPAS) program offered by ACT, Inc. to provide a longitudinal, systematic approach to student educational and career planning, assessment, instructional support, and evaluation. The EPAS achievement tests include English, reading, mathematics, science, and components on planning for high school and postsecondary education, interest inventory, needs assessments, and student education plans. These tests are linked to the ACT assessment for college admission and allow students, parents, teachers, and schools to determine the student's college readiness before grades 11 and 12.

(b) The commissioner of education shall provide ACT Explore tests for students in grade 8 and the ACT Plan test for students in grade 10 to assess individual student academic strengths and weaknesses, academic achievement and progress, higher order thinking skills, and college readiness.

(c) Students enrolled in grade 8 through the 2011-2012 school year who have not yet demonstrated proficiency on the Minnesota comprehensive assessments, the graduation-required assessments for diploma, or the basic skills testing requirements prior to high school graduation may satisfy state high school graduation requirements for

assessments in reading, mathematics, and writing by taking the graduation-required assessment for diploma in reading, mathematics, or writing under Minnesota Statutes 2012, section 120B.30, subdivision 1, paragraph (c), clauses (1) and (2), the WorkKeys job skills assessment, the Compass college placement test, a nationally recognized armed services vocation aptitude test, or the ACT assessment for college admission.

(d) The state shall pay the test costs for ~~school districts and charter schools that choose to participate in the EPAS program~~ public school students to participate in the assessments under this section. The commissioner shall establish an application procedure and a process for state payment of costs.

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

Sec. 10. Minnesota Statutes 2012, section 120B.15, is amended to read:

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

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

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

(1) multiple and objective criteria; and

(2) assessments and procedures that are valid and reliable, fair, and based on current theory and research. Assessments and procedures should be sensitive to underrepresented groups, including, but not limited to, low-income, minority, twice-exceptional, and English learners.

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

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

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

(d) School districts must adopt procedures consistent with section 124D.02, subdivision 1, for early admission to kindergarten or first grade of gifted and talented learners. The procedures must be sensitive to underrepresented groups.

Sec. 11. **[120B.21] MENTAL HEALTH EDUCATION.**

School districts and charter schools are encouraged to provide mental health instruction for students in grades 6 through 12 aligned with local health standards and integrated into existing programs, curriculum, or the general school environment of a district or charter school. The commissioner, in consultation with the commissioner of human services and mental health organizations, is encouraged to provide districts and charter schools with:

(1) age-appropriate model learning activities for grades 6 through 12 that encompass the mental health components of the National Health Education Standards and the benchmarks developed by the department's quality teaching network in health and best practices in mental health education; and

(2) a directory of resources for planning and implementing age-appropriate mental health curriculum and instruction in grades 6 through 12.

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

Sec. 12. Minnesota Statutes 2012, section 120B.30, subdivision 1, is amended to read:

Subdivision 1. **Statewide testing.** (a) The commissioner, with advice from experts with appropriate technical qualifications and experience and stakeholders, consistent with subdivision 1a, shall include in the comprehensive assessment system, for each grade level to be tested, state-constructed tests developed ~~from and~~ as computer-adaptive reading and mathematics assessments for students that are aligned with the state's required academic standards under section 120B.021, include multiple choice questions, and be are administered annually to all students in grades 3 through ~~8~~ 7. Reading and mathematics assessments for all students in grade 8 must be aligned with the state's required reading and mathematics standards, be administered annually, and include multiple choice questions. State-developed high school tests aligned with the state's required academic standards under section 120B.021 and administered to all high school students in a subject other than writing must include multiple choice questions. The commissioner shall establish one or more months during which schools shall administer the tests to students each school year. ~~For students enrolled in grade 8 before the 2005-2006 school year, Minnesota basic skills tests in reading, mathematics, and writing shall fulfill students' basic skills testing requirements for a passing state notation. The passing scores of basic skills tests in reading and mathematics are the equivalent of 75 percent correct for students entering grade 9 based on the first uniform test administered in February 1998. Students who have not successfully passed a Minnesota basic skills test by the end of the 2011-2012 school year must pass the graduation-required assessments for diploma under paragraph (c), except that for the 2012-2013 and 2013-2014 school years only, these students may satisfy the state's graduation test requirement for math by complying with paragraph (d), clauses (1) and (3).~~

(1) Students enrolled in grade 8 through the 2009-2010 school year are eligible to be assessed under (i) the graduation-required assessment for diploma in reading, mathematics, or writing under Minnesota Statutes 2012, section 120B.30, subdivision 1, paragraphs (c), clauses (1) and (2), and (d), (ii) the WorkKeys job skills assessment, (iii) the Compass college placement test, (iv) the ACT assessment for college admission, or (v) a nationally recognized armed services vocational aptitude test.

(2) Students enrolled in grade 8 in the 2010-2011 or 2011-2012 school year are eligible to be assessed under (i) the graduation-required assessment for diploma in reading, mathematics, or writing under Minnesota Statutes 2012, section 120B.30, subdivision 1, paragraph (c), clauses (1) and (2), (ii) the WorkKeys job skills assessment, (iii) the Compass college placement test, (iv) the ACT assessment for college admission, or (v) a nationally recognized armed services vocational aptitude test.

(3) For students under clause (1) or (2), a school district may substitute a score from an alternative, equivalent assessment to satisfy the requirements of this paragraph.

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

(1) mathematics;

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

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

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

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

(c) For students enrolled in grade 8 in the ~~2005-2006~~ 2012-2013 school year and later, ~~only the following options shall fulfill~~ students' state graduation test requirements, based on a longitudinal, systematic approach to student education and career planning, assessment, instructional support, and evaluation, include the following:

(1) for reading and mathematics:

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

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

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

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

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

(2) for writing:

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

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

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

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

(1) demonstrate understanding of required academic standards on a nationally normed college entrance exam;

(2) achievement and career and college readiness tests in mathematics, reading, and writing, consistent with paragraph (e) and to the extent available, to monitor students' continuous development of and growth in requisite knowledge and skills; analyze students' progress and performance levels, identifying students' academic strengths and diagnosing areas where students require curriculum or instructional adjustments, targeted interventions, or remediation; and, based on analysis of students' progress and performance data, determine students' learning and instructional needs and the instructional tools and best practices that support academic rigor for the student; and

(3) consistent with this paragraph and section 120B.125, age-appropriate exploration and planning activities and career assessments to encourage students to identify personally relevant career interests and aptitudes and help students and their families develop a regularly reexamined transition plan for postsecondary education or employment without need for postsecondary remediation.

Based on appropriate state guidelines, students with an individualized education program may satisfy state graduation requirements by achieving an individual score on the state-identified alternative assessments.

Expectations of schools, districts, and the state for career or college readiness under this subdivision must be comparable in rigor, clarity of purpose, and rates of student completion. A student under clause (2) must receive targeted, relevant, academically rigorous, and resourced instruction, which may include a targeted instruction and intervention plan focused on improving the student's knowledge and skills in core subjects so that the student has a reasonable chance to succeed in a career or college without need for postsecondary remediation. Consistent with sections 120B.13, 124D.09, 124D.091, 124D.49, and related sections, an enrolling school or district must actively encourage a student in grade 11 or 12 who is identified as academically ready for a career or college to participate in courses and programs awarding college credit to high school students. Students are not required to achieve a specified score or level of proficiency on an assessment under this subdivision to graduate from high school.

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

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

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

~~(3) fully participate in at least two retests of the mathematics GRAD test or until they pass the mathematics GRAD test, whichever comes first. To improve the secondary and postsecondary outcomes of all students, the alignment between secondary and postsecondary education programs and Minnesota's workforce needs, and the efficiency and cost-effectiveness of secondary and postsecondary programs, the commissioner, after consulting with the chancellor of the Minnesota State Colleges and Universities and using a request for proposal process, shall contract for a series of assessments that are consistent with this subdivision, aligned with state academic standards, and include career and college readiness benchmarks. Mathematics, reading, and writing assessments for students in grades 8 and 10 must be predictive of a nationally normed assessment for career and college readiness. This nationally recognized assessment must be a college entrance exam and given to students in grade 11. This series of assessments must include a college placement diagnostic exam and contain career exploration elements. The commissioner and the chancellor of the Minnesota State Colleges and Universities must collaborate in aligning instruction and assessments for adult basic education students to provide the students with diagnostic information about any targeted interventions they need so that they may seek postsecondary education or employment without need for postsecondary remediation.~~

~~(1) Districts and schools, on an annual basis, must use the career exploration elements in these assessments to help students, beginning no later than grade 9, and their families explore and plan for postsecondary education or careers based on the students' interests, aptitudes, and aspirations. Districts and schools must use timely regional labor market information and partnerships, among other resources, to help students and their families successfully develop, pursue, review, and revise an individualized plan for postsecondary education or a career. This process must help increase students' engagement in and connection to school, improve students' knowledge and skills, and deepen students' understanding of career pathways as a sequence of academic and career courses that lead to an industry-recognized credential, an associate's degree, or a bachelor's degree and are available to all students, whatever their interests and career goals.~~

~~(2) Students in grade 10 or 11 not yet academically ready for a career or college based on their growth in academic achievement between grades 8 and 10 must take the college placement diagnostic exam before taking the college entrance exam under clause (3). Students, their families, the school, and the district can then use the results of the college placement diagnostic exam for targeted instruction, intervention, or remediation and improve students' knowledge and skills in core subjects sufficient for a student to graduate and have a reasonable chance to succeed in a career or college without remediation.~~

(3) All students except those eligible for alternative assessments must be given the college entrance part of these assessments in grade 11. A student under this clause who demonstrates attainment of required state academic standards, which include career and college readiness benchmarks, on these assessments is academically ready for a career or college and is encouraged to participate in courses awarding college credit to high school students. Such courses and programs may include sequential courses of study within broad career areas and technical skill assessments that extend beyond course grades.

(4) As appropriate, students through grade 12 must continue to participate in targeted instruction, intervention, or remediation and be encouraged to participate in courses awarding college credit to high school students.

(5) A study to determine the alignment between these assessments and state academic standards under this chapter must be conducted. Where alignment exists, the commissioner must seek federal approval to, and immediately upon receiving approval, replace the federally required assessments referenced under subdivision 1a and section 120B.35, subdivision 2, with assessments under this paragraph.

(e) In developing, supporting, and improving students' academic readiness for a career or college, schools, districts, and the state must have a continuum of empirically derived, clearly defined benchmarks focused on students' attainment of knowledge and skills so that students, their parents, and teachers know how well students must perform to have a reasonable chance to succeed in a career or college without need for postsecondary remediation. The commissioner, in consultation with local school officials and educators, and Minnesota's public postsecondary institutions must ensure that the foundational knowledge and skills for students' successful performance in postsecondary employment or education and an articulated series of possible targeted interventions are clearly identified and satisfy Minnesota's postsecondary admissions requirements.

(f) For students in grade 8 in the 2012-2013 school year and later, a school, district, or charter school must place record on the high school transcript a student's current pass status for each subject that has a required graduation assessment progress toward career and college readiness, and for other students as soon as practicable.

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

~~(e)~~ (h) The 3rd through 8th 7th grade computer-adaptive assessment results and grade 8 and high school test results shall be available to districts for diagnostic purposes affecting student learning and district instruction and curriculum, and for establishing educational accountability. The commissioner must establish empirically derived benchmarks on adaptive assessments in grades 3 through 7 that reveal a trajectory toward career and college readiness. The commissioner must disseminate to the public the computer-adaptive assessments, grade 8, and high school test results upon receiving those results.

~~(f)~~ (i) The 3rd through 8th grade grades 3 through 7 computer-adaptive assessments and grade 8 and high school tests must be aligned with state academic standards. The commissioner shall determine the testing process and the order of administration. The statewide results shall be aggregated at the site and district level, consistent with subdivision 1a.

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

(1) uniform statewide testing computer-adaptive assessments of all students in grades 3 through 7 and testing at the grade 8 and high school level levels that provides appropriate, technically sound accommodations or alternate assessments;



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

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

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

**EFFECTIVE DATE.** This section is effective the day following final enactment and applies to the 2013-2014 school year and later, except that paragraph (a) applies the day following final enactment and the requirements for using computer-adaptive mathematics and reading assessments for grades 3 through 7 apply in the 2015-2016 school year and later. The series of assessments contracted for under paragraph (d) apply in the 2014-2015 school year and later.

Sec. 13. Minnesota Statutes 2012, section 120B.30, subdivision 1a, is amended to read:

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

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

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

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

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

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

(b) The commissioner must use fully adaptive mathematics and reading assessments for grades 3 through 7 beginning in the 2015-2016 school year and later.

(c) For purposes of conforming with existing federal educational accountability requirements, the commissioner must develop and implement computer-adaptive reading and mathematics assessments for grades 3 through & 7, state-developed grade 8 and high school reading and mathematics tests aligned with state academic standards, and science assessments under clause (2) that districts and sites must use to monitor student growth toward achieving those standards. The commissioner must not develop statewide assessments for academic standards in social studies, health and physical education, and the arts. The commissioner must require:

(1) annual computer-adaptive reading and mathematics assessments in grades 3 through ~~8~~ 7, and grade 8 and high school reading and mathematics tests; and

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

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

(1) individual student performance data and achievement reports are available within three school days of when students take an assessment except in a year when an assessment reflects new performance standards;

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

(3) parents, teachers, and school administrators are able to use elementary and middle school student performance data to project students' secondary and postsecondary achievement; and

(4) useful diagnostic information about areas of students' academic strengths and weaknesses is available to teachers and school administrators for improving student instruction and indicating the specific skills and concepts that should be introduced and developed for students at given performance levels, organized by strands within subject areas, and aligned to state academic standards.

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

~~(e)~~ (f) Reporting of state assessment results must:

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

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

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

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

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

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

**EFFECTIVE DATE.** This section is effective for the 2013-2014 school year and later except the requirements for using computer-adaptive mathematics and reading assessments for grades 3 through 7 apply in the 2015-2016 school year and later. Results related to career and college readiness benchmarks apply in the 2014-2015 school year and later.

Sec. 14. Minnesota Statutes 2012, section 120B.31, subdivision 1, is amended to read:

Subdivision 1. **Educational accountability and public reporting.** Consistent with the direction to adopt statewide academic standards under section 120B.02, the department, in consultation with education and other system stakeholders, must establish a coordinated and comprehensive system of educational accountability and public reporting that promotes greater academic achievement, preparation for higher academic education, preparation for the world of work, citizenship ~~under sections 120B.021, subdivision 1, clause (4), and 120B.024, paragraph (a), clause (4), and the arts.~~

Sec. 15. Minnesota Statutes 2012, section 120B.35, subdivision 3, is amended to read:

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

(b) The commissioner, in consultation with a stakeholder group that includes assessment and evaluation directors and staff and researchers must implement a model that uses a value-added growth indicator and includes criteria for identifying schools and school districts that demonstrate medium and high growth under section 120B.299, subdivisions 8 and 9, and may recommend other value-added measures under section 120B.299, subdivision 3. The model may be used to advance educators' professional development and replicate programs that succeed in meeting students' diverse learning needs. Data on individual teachers generated under the model are personnel data under section 13.43. The model must allow users to:

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

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

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

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

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

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

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

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

(e) For purposes of statewide educational accountability, the commissioner must identify and report measures that demonstrate the success of learning year program providers under sections 123A.05 and 124D.68, among other such providers, in improving students' graduation outcomes. The commissioner, beginning July 1, 2015, must annually report summary data on:

(1) the four- and six-year graduation rates of students under this paragraph;

(2) the percent of students under this paragraph whose progress and performance levels are meeting career and college readiness benchmarks under section 120B.30, subdivision 1; and

(3) the success that learning year program providers experience in:

(i) identifying at-risk and off-track student populations by grade;

(ii) providing successful prevention and intervention strategies for at-risk students;

(iii) providing successful recuperative and recovery or reenrollment strategies for off-track students; and

(iv) improving the graduation outcomes of at-risk and off-track students.

The commissioner may include in the annual report summary data on other education providers serving a majority of students eligible to participate in a learning year program.

**EFFECTIVE DATE.** Paragraph (e) applies to data that are collected in the 2014-2015 school year and later and reported annually beginning July 1, 2015.

Sec. 16. Minnesota Statutes 2012, section 120B.36, subdivision 1, is amended to read:

Subdivision 1. **School performance ~~report cards~~ reports.** (a) The commissioner shall report student academic performance under section 120B.35, subdivision 2; the percentages of students showing low, medium, and high growth under section 120B.35, subdivision 3, paragraph (b); school safety and student engagement and connection under section 120B.35, subdivision 3, paragraph (d); rigorous coursework under section 120B.35, subdivision 3, paragraph (c); the percentage of students under section 120B.35, subdivision 3, paragraph (b), clause (2), whose progress and performance levels are meeting career and college readiness benchmarks under sections 120B.30, subdivision 1, and 120B.35, subdivision 3, paragraph (e); longitudinal data on the progress of eligible districts in reducing disparities in students' academic achievement and racial and economic integration under section 124D.861;

two separate student-to-teacher ratios that clearly indicate the definition of teacher consistent with sections 122A.06 and 122A.15 for purposes of determining these ratios; staff characteristics excluding salaries; student enrollment demographics; district mobility; and extracurricular activities. The report also must indicate a school's adequate yearly progress status under applicable federal law, and must not set any designations applicable to high- and low-performing schools due solely to adequate yearly progress status.

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

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

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

(e) School performance ~~report card~~ data are nonpublic data under section 13.02, subdivision 9, until the commissioner publicly releases the data. The commissioner shall annually post school performance ~~report cards~~ reports to the department's public Web site no later than September 1, except that in years when the ~~report card~~ reflects reports reflect new performance standards, the commissioner shall post the school performance ~~report cards~~ reports no later than October 1.

**EFFECTIVE DATE.** This section is effective for the 2014-2015 school year and later.

Sec. 17. Minnesota Statutes 2012, section 124D.52, is amended by adding a subdivision to read:

Subd. 8. **Standard high school diploma for adults.** (a) The commissioner shall adopt rules for providing a standard adult high school diploma to persons who:

(1) are not eligible for kindergarten through grade 12 services;

(2) do not have a high school diploma; and

(3) successfully complete an adult basic education program of instruction approved by the commissioner of education necessary to earn an adult high school diploma.

(b) Persons participating in an approved adult basic education program of instruction must demonstrate the competencies, knowledge, and skills sufficient to ensure that postsecondary programs and institutions and potential employers regard persons with a standard high school diploma and persons with a standard adult high school diploma as equally well prepared and qualified graduates. Approved adult basic education programs of instruction under this subdivision must issue a standard adult high school diploma to persons who successfully demonstrate the competencies, knowledge, and skills required by the program.

**EFFECTIVE DATE.** This section is effective July 1, 2014.

Sec. 18. **CAREER PATHWAYS AND TECHNICAL EDUCATION ADVISORY TASK FORCE.**

Subdivision 1. **Recommendations.** (a) A career pathways and technical education advisory task force is established to recommend to the Minnesota legislature, consistent with Minnesota Statutes, sections 120B.30, subdivision 1, and 120B.35, subdivision 3, how to structurally redesign secondary and postsecondary education to:

(1) improve secondary and postsecondary outcomes for students and adult learners;

(2) align secondary and postsecondary education programs serving students and adult learners;

(3) align secondary and postsecondary education programs and Minnesota's workforce needs; and

(4) measure and evaluate the combined efficacy of Minnesota's public kindergarten through grade 12 and postsecondary education programs.

(b) Advisory task force members, in preparing these recommendations, must seek the advice of education providers, employers, policy makers, and other interested stakeholders and must at least consider how to:

(1) better inform students about career options, occupational trends, and educational paths leading to viable and rewarding careers and reduce the gap between the demand for and preparation of a skilled Minnesota workforce;

(2) in consultation with a student's family, develop and periodically adapt, as needed, an education and work plan for each student aligned with the student's personal and professional interests, abilities, skills, and aspirations;

(3) improve monitoring of high school students' progress with targeted interventions and support and remove the need for remedial instruction;

(4) increase and accelerate opportunities for secondary school students to earn postsecondary credits leading to a certificate, industry license, or degree;

(5) better align high school courses and expectations and postsecondary credit-bearing courses;

(6) better align high school standards and assessments, postsecondary readiness measures and entrance requirements, and the expectations of Minnesota employers;

(7) increase the rates at which students complete a postsecondary certificate, industry license, or degree; and

(8) provide graduates of two-year and four-year postsecondary institutions with the foundational skills needed for civic engagement, ongoing employment, and continuous learning.

Subd. 2. **Membership.** The Career Pathways Advisory Task Force shall have 15 members appointed by July 15, 2013, as follows:

(1) one member appointed by the Minnesota Association of Career and Technical Administrators;

(2) one member appointed by the Minnesota Association for Career and Technical Education;

(3) one member appointed by the University of Minnesota who is a faculty member working to develop career and technical educators in Minnesota;

(4) one member appointed by the Minnesota State Colleges and Universities who is a faculty member working to develop career and technical educators in Minnesota;

(5) one member appointed by the National Research Center for Career and Technical Education;

(6) one member appointed by the Minnesota Department of Education;

(7) one member appointed by the Minnesota Board of Teaching;

(8) one member appointed by the Minnesota Association of Colleges for Teacher Education;

(9) one member appointed by the Minnesota State Colleges and Universities from faculty for foundational skills and general education;

(10) one member representing licensed career and technical education teachers appointed by Education Minnesota;

(11) one member appointed by the commissioner of the Minnesota Department of Employment and Economic Development;

(12) one member appointed by the Minnesota Chamber of Commerce;

(13) one member appointed by the Minnesota Business Partnership;

(14) one member appointed by the Minnesota Secondary School Principals Association;

(15) one member appointed by the Minnesota Association of School Administrators;

(16) one member appointed by the Minnesota School Counselors Association;

(17) one member appointed by the Minnesota Association of Charter Schools; and

(18) four members appointed by the commissioner of education who have expertise in any of the areas with which the task force has been charged in subdivision 1.

Subd. 3. **Terms.** Each member shall serve until the task force sunsets, unless replaced by their appointing authority.

Subd. 4. **First meeting; acting chair; chair.** The commissioner of education shall convene the first meeting by August 15, 2013, and shall act as chair until the task force elects a chair from among its members at the first meeting.

Subd. 5. **Staff; technical assistance.** The commissioner of education, on request by the task force, will provide technical assistance and provide staff assistance sufficient for the task force to carry out its duties.

Subd. 6. **Report.** By February 15, 2014, the task force shall submit a written report describing its recommendations to the chairs and ranking minority members of the legislative committees and divisions with primary jurisdiction over kindergarten through grade 12 education.

Subd. 7. **Sunset.** The task force expires the day after the task force reports to the legislature, or February 15, 2014, whichever is earlier.

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

Sec. 19. **STANDARD ADULT HIGH SCHOOL DIPLOMA ADVISORY TASK FORCE.**

Subdivision 1. **Establishment.** The commissioner of education shall appoint a nine-member advisory task force to recommend programmatic requirements for adult basic education programs of instruction leading to a standard adult high school diploma under Minnesota Statutes, section 124D.52, subdivision 8.

Subd. 2. **Membership.** The commissioner of education must appoint representatives from the following organizations to the task force by July 1, 2013:

(1) one employee of the Department of Education with expertise in adult basic education;

(2) five administrators and teachers with expertise in development of education curriculum from local adult basic education programs located in rural, suburban, and urban areas of the state, at least one of whom represents the Literacy Action network;

(3) one employee of the Minnesota State Colleges and Universities with expertise in adult basic education;

(4) one employee of the Department of Employment and Economic Development with expertise in adult basic education and employment; and

(5) one member of the Minnesota Chamber of Commerce familiar with adult basic education programs under Minnesota Statutes, section 124D.52.

Subd. 3. **Duties.** The duties of the task force shall include:

(1) reviewing "Minnesota Adult Secondary Credential: a Student Strategy for Workforce Readiness and Individual Prosperity," a report submitted in 2012 by the Minnesota Adult Secondary Task Force, and other relevant materials; and

(2) developing specific criteria to be used in awarding the new adult diploma.

Subd. 4. **First meeting.** The commissioner of education must convene the first meeting of the task force by August 1, 2013.

Subd. 5. **Chair.** The commissioner shall appoint a chair.

Subd. 6. **Assistance.** The commissioner, upon request, must provide technical assistance to task force members.

Subd. 7. **Report.** By February 1, 2014, the task force must submit its recommendations to the commissioner of education for providing a standard adult high school diploma to persons who are not eligible for kindergarten through grade 12 services, who do not have a high school diploma, and who successfully complete an approved adult basic education program of instruction necessary to earn an adult high school diploma. The commissioner must consider these recommendations when adopting rules under Minnesota Statutes, section 124D.52, subdivision 8.

Subd. 8. **Sunset.** The task force sunsets the day after submitting its report under subdivision 7, or February 2, 2014, whichever is earlier.

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

Sec. 20. **APPROPRIATIONS.**

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

Subd. 2. **Statewide testing and reporting system.** For the statewide testing and reporting system under Minnesota Statutes, section 120B.30:

<u>\$15,955,000</u>	<u>.....</u>	<u>2014</u>
<u>\$21,001,000</u>	<u>.....</u>	<u>2015</u>

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



Subd. 3. **Educational planning and assessment system (EPAS) program.** For the educational planning and assessment system program under Minnesota Statutes, section 120B.128:

<u>\$829,000</u>	.....	<u>2014</u>
<u>\$0</u>	.....	<u>2015</u>

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

Sec. 21. **REVISOR'S INSTRUCTION.**

The revisor of statutes shall renumber Minnesota Statutes, section 120B.023, subdivision 2, as Minnesota Statutes, section 120B.021, subdivision 4. The revisor shall make necessary cross-reference changes consistent with the renumbering.

Sec. 22. **REPEALER.**

(a) Minnesota Rules, parts 3501.0505; 3501.0510; 3501.0515; 3501.0520; 3501.0525; 3501.0530; 3501.0535; 3501.0540; 3501.0545; and 3501.0550, are repealed.

(b) Minnesota Rules, parts 3501.0010; 3501.0020; 3501.0030, subparts 1, 2, 3, 4, 5, 6, 7, 9, 10, 11, 12, 13, 14, 15, and 16; 3501.0040; 3501.0050; 3501.0060; 3501.0090; 3501.0100; 3501.0110; 3501.0120; 3501.0130; 3501.0140; 3501.0150; 3501.0160; 3501.0170; 3501.0180; 3501.0200; 3501.0210; 3501.0220; 3501.0230; 3501.0240; 3501.0250; 3501.0270; 3501.0280, subparts 1 and 2; 3501.0290; 3501.1000; 3501.1020; 3501.1030; 3501.1040; 3501.1050; 3501.1110; 3501.1120; 3501.1130; 3501.1140; 3501.1150; 3501.1160; 3501.1170; 3501.1180; and 3501.1190, are repealed.

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

ARTICLE 3  
EDUCATION EXCELLENCE

Section 1. Minnesota Statutes 2012, section 120A.22, subdivision 5, is amended to read:

Subd. 5. **Ages and terms.** (a) Every child between seven and ~~16~~ 17 years of age must receive instruction unless the child has graduated. Every child under the age of seven who is enrolled in a half-day kindergarten, or a full-day kindergarten program on alternate days, or other kindergarten programs shall receive instruction. Except as provided in subdivision 6, a parent may withdraw a child under the age of seven from enrollment at any time.

(b) A school district by annual board action may require children subject to this subdivision to receive instruction in summer school. A district that acts to require children to receive instruction in summer school shall establish at the time of its action the criteria for determining which children must receive instruction.

(c) A pupil 16 years of age or older who meets the criteria of section 124D.68, subdivision 2, may be assigned to an area learning center. Such assignment may be made only after consultation with the principal, area learning center director, and parent or guardian.

**EFFECTIVE DATE.** This section is effective for the 2014-2015 school year and later.

Sec. 2. Minnesota Statutes 2012, section 120A.22, subdivision 8, is amended to read:

Subd. 8. **Withdrawal from school.** Any student ~~between 16 and 18~~ who is 17 years old who seeks to withdraw from school, and the student's parent or guardian must:

(1) attend a meeting with school personnel to discuss the educational opportunities available to the student, including alternative educational opportunities; and

(2) sign a written election to withdraw from school.

Sec. 3. Minnesota Statutes 2012, section 120A.22, subdivision 11, is amended to read:

Subd. 11. **Assessment of performance.** (a) Each year the performance of every child ages seven through 16 and every child ages 16 through 17 for which an initial report was filed pursuant to section 120A.24, subdivision 1, after the child is 16 and who is not enrolled in a public school must be assessed using a nationally norm-referenced standardized achievement examination. The superintendent of the district in which the child receives instruction and the person in charge of the child's instruction must agree about the specific examination to be used and the administration and location of the examination.

(b) To the extent the examination in paragraph (a) does not provide assessment in all of the subject areas in subdivision 9, the parent must assess the child's performance in the applicable subject area. This requirement applies only to a parent who provides instruction and does not meet the requirements of subdivision 10, clause (1), (2), or (3).

(c) If the results of the assessments in paragraphs (a) and (b) indicate that the child's performance on the total battery score is at or below the 30th percentile or one grade level below the performance level for children of the same age, the parent must obtain additional evaluation of the child's abilities and performance for the purpose of determining whether the child has learning problems.

(d) A child receiving instruction from a nonpublic school, person, or institution that is accredited by an accrediting agency, recognized according to section 123B.445, or recognized by the commissioner, is exempt from the requirements of this subdivision.

**EFFECTIVE DATE.** This section is effective for the 2014-2015 school year and later.

Sec. 4. Minnesota Statutes 2012, section 120A.22, subdivision 12, is amended to read:

Subd. 12. **Legitimate exemptions.** (a) A parent, guardian, or other person having control of a child may apply to a school district to have the child excused from attendance for the whole or any part of the time school is in session during any school year. Application may be made to any member of the board, a truant officer, a principal, or the superintendent. The school district may state in its school attendance policy that it may ask the student's parent or legal guardian to verify in writing the reason for the child's absence from school. A note from a physician or a licensed mental health professional stating that the child cannot attend school is a valid excuse. The board of the district in which the child resides may approve the application upon the following being demonstrated to the satisfaction of that board:

(1) that the child's physical or mental health is such as to prevent attendance at school or application to study for the period required, which includes:

(i) child illness, medical, dental, orthodontic, or counseling appointments;

(ii) family emergencies;

(iii) the death or serious illness or funeral of an immediate family member;

(iv) active duty in any military branch of the United States;

(v) the child has a condition that requires ongoing treatment for a mental health diagnosis; or

(vi) other exemptions included in the district's school attendance policy;

(2) that the child has already completed state and district standards required for graduation from high school; or

(3) that it is the wish of the parent, guardian, or other person having control of the child, that the child attend for a period or periods not exceeding in the aggregate three hours in any week, a school for religious instruction conducted and maintained by some church, or association of churches, or any Sunday school association incorporated under the laws of this state, or any auxiliary thereof. This school for religious instruction must be conducted and maintained in a place other than a public school building, and it must not, in whole or in part, be conducted and maintained at public expense. However, a child may be absent from school on such days as the child attends upon instruction according to the ordinances of some church.

(b) Notwithstanding subdivision 6, paragraph (a), a parent may withdraw a child from an all-day, every-day kindergarten program and put their child in a half-day program, if offered, or an alternate-day program without being truant. A school board must excuse a kindergarten child from a part of a school day at the request of the child's parent.

Sec. 5. Minnesota Statutes 2012, section 120A.24, subdivision 1, is amended to read:

Subdivision 1. **Reports to superintendent.** (a) The person or nonpublic school in charge of providing instruction to a child must submit to the superintendent of the district in which the child resides the name, birth date, and address of the child; the annual tests intended to be used under section 120A.22, subdivision 11, if required; the name of each instructor; and evidence of compliance with one of the requirements specified in section 120A.22, subdivision 10:

(1) by October 1 of the first school year the child receives instruction after reaching the age of seven;

(2) within 15 days of when a parent withdraws a child from public school after age seven to provide instruction in a nonpublic school that is not accredited by a state-recognized accredited agency;

(3) within 15 days of moving out of a district; and

(4) by October 1 after a new resident district is established.

(b) The person or nonpublic school in charge of providing instruction to a child between the ages of seven and 16 and every child ages 16 through 17 for which an initial report was filed pursuant to this subdivision after the child is 16 must submit, by October 1 of each school year, a letter of intent to continue to provide instruction under this section for all students under the person's or school's supervision and any changes to the information required in paragraph (a) for each student.

(c) The superintendent may collect the required information under this section through an electronic or Web-based format, but must not require electronic submission of information under this section from the person in charge of reporting under this subdivision.

**EFFECTIVE DATE.** This section is effective for the 2014-2015 school year and later.

Sec. 6. Minnesota Statutes 2012, section 121A.22, subdivision 2, is amended to read:

Subd. 2. **Exclusions.** In addition, this section does not apply to drugs or medicine that are:

(1) purchased without a prescription;

- (2) used by a pupil who is 18 years old or older;
- (3) used in connection with services for which a minor may give effective consent, including section 144.343, subdivision 1, and any other law;
- (4) used in situations in which, in the judgment of the school personnel who are present or available, the risk to the pupil's life or health is of such a nature that drugs or medicine should be given without delay;
- (5) used off the school grounds;
- (6) used in connection with athletics or extra curricular activities;
- (7) used in connection with activities that occur before or after the regular school day;
- (8) provided or administered by a public health agency to prevent or control an illness or a disease outbreak as provided for in sections 144.05 and 144.12;
- (9) prescription asthma or reactive airway disease medications self-administered by a pupil with an asthma inhaler if the district has received a written authorization from the pupil's parent permitting the pupil to self-administer the medication, the inhaler is properly labeled for that student, and the parent has not requested school personnel to administer the medication to the pupil. The parent must submit written authorization for the pupil to self-administer the medication each school year; or
- (10) ~~prescription nonsyringe injectors of epinephrine~~ auto-injectors, consistent with section 121A.2205, if the parent and prescribing medical professional annually inform the pupil's school in writing that (i) the pupil may possess the epinephrine or (ii) the pupil is unable to possess the epinephrine and requires immediate access to ~~nonsyringe injectors of epinephrine~~ auto-injectors that the parent provides properly labeled to the school for the pupil as needed.

Sec. 7. Minnesota Statutes 2012, section 121A.2205, is amended to read:

**121A.2205 POSSESSION AND USE OF ~~NONSYRINGE INJECTORS OF~~ EPINEPHRINE AUTO-INJECTORS; MODEL POLICY.**

**Subdivision 1. Definitions.** As used in this section:

- (1) "administer" means the direct application of an epinephrine auto-injector to the body of an individual;
- (2) "epinephrine auto-injector" means a device that automatically injects a premeasured dose of epinephrine; and
- (3) "school" means a public school under section 120A.22, subdivision 4, or a nonpublic school, excluding a home school, under section 120A.22, subdivision 4, that is subject to the federal Americans with Disabilities Act.

**Subd. 2. Plan for use of epinephrine auto-injectors.** (a) At the start of each school year or at the time a student enrolls in school, whichever is first, a student's parent, school staff, including those responsible for student health care, and the prescribing medical professional must develop and implement an individualized written health plan for a student who is prescribed ~~nonsyringe injectors of epinephrine~~ auto-injectors that enables the student to:

- (1) possess ~~nonsyringe injectors of epinephrine~~ auto-injectors; or

(2) if the parent and prescribing medical professional determine the student is unable to possess the epinephrine, have immediate access to ~~nonsyringe injectors~~ of epinephrine auto-injectors in close proximity to the student at all times during the instructional day.

The plan must designate the school staff responsible for implementing the student's health plan, including recognizing anaphylaxis and administering ~~nonsyringe injectors~~ of epinephrine auto-injectors when required, consistent with section 121A.22, subdivision 2, clause (10). This health plan may be included in a student's 504 plan.

(b) ~~A school under this section is a public school under section 120A.22, subdivision 4, or a nonpublic school, excluding a home school, under section 120A.22, subdivision 4, that is subject to the federal Americans with Disabilities Act.~~ Other nonpublic schools are encouraged to develop and implement an individualized written health plan for students requiring ~~nonsyringe injectors~~ of epinephrine auto-injectors, consistent with this section and section 121A.22, subdivision 2, clause (10).

(c) A school district and its agents and employees are immune from liability for any act or failure to act, made in good faith, in implementing this section and section 121A.2207.

(d) The education commissioner may develop and transmit to interested schools a model policy and individualized health plan form consistent with this section and federal 504 plan requirements. The policy and form may:

(1) assess a student's ability to safely possess ~~nonsyringe injectors~~ of epinephrine auto-injectors;

(2) identify staff training needs related to recognizing anaphylaxis and administering epinephrine when needed;

(3) accommodate a student's need to possess or have immediate access to ~~nonsyringe injectors~~ of epinephrine auto-injectors in close proximity to the student at all times during the instructional day; and

(4) ensure that the student's parent provides properly labeled ~~nonsyringe injectors~~ of epinephrine auto-injectors to the school for the student as needed.

(e) Additional ~~nonsyringe injectors~~ of epinephrine auto-injectors may be available in school first aid kits.

(f) The school board of the school district must define instructional day for the purposes of this section.

**Sec. 8. [121A.2207] LIFE-THREATENING ALLERGIES IN SCHOOLS; STOCK SUPPLY OF EPINEPHRINE AUTO-INJECTORS.**

Subdivision 1. Districts and schools permitted to maintain supply. Notwithstanding section 151.37, districts and schools may obtain and possess epinephrine auto-injectors to be maintained and administered by school personnel to a student or other individual if, in good faith, it is determined that person is experiencing anaphylaxis regardless of whether the student or other individual has a prescription for an epinephrine auto-injector. The administration of an epinephrine auto-injector in accordance with this section is not the practice of medicine.

Subd. 2. Arrangements with manufacturers. A district or school may enter into arrangements with manufacturers of epinephrine auto-injectors to obtain epinephrine auto-injectors at fair-market, free, or reduced prices. A third party, other than a manufacturer or supplier, may pay for a school's supply of epinephrine auto-injectors.

Sec. 9. Minnesota Statutes 2012, section 121A.39, is amended to read:

**121A.39 SCHOOL COUNSELORS.**

(a) A school district is strongly encouraged to have an adequate student-to-counselor ratio for its students beginning in the 2015-2016 school year and later.

(b) A school counselor shall assist a student in meeting the requirements for high school graduation, college and career exploration, and selection, college affordability planning, and successful transitions into postsecondary education or training.

Sec. 10. Minnesota Statutes 2012, section 122A.09, subdivision 4, is amended to read:

Subd. 4. **License and rules.** (a) The board must adopt rules to license public school teachers and interns subject to chapter 14.

(b) The board must adopt rules requiring a person to pass a skills examination in reading, writing, and mathematics as a requirement for initial teacher licensure, except that the board may issue up to two additional temporary, one-year teaching licenses to an otherwise qualified candidate who has not yet passed the skills exam. Such rules must require college and universities offering a board-approved teacher preparation program to provide remedial assistance to persons who did not achieve a qualifying score on the skills examination, including those for whom English is a second language.

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

(d) The board must provide the leadership and adopt rules for the redesign of teacher education programs to implement a research based, results-oriented curriculum that focuses on the skills teachers need in order to be effective. The board shall implement new systems of teacher preparation program evaluation to assure program effectiveness based on proficiency of graduates in demonstrating attainment of program outcomes. Teacher preparation programs including alternative teacher preparation programs under section 122A.245, among other programs, must include a content-specific, board-approved, performance-based assessment that measures teacher candidates in three areas: planning for instruction and assessment; engaging students and supporting learning; and assessing student learning.

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

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

(g) The board must grant licenses to interns and to candidates for initial licenses based on appropriate professional competencies that are aligned with the board's licensing system and students' diverse learning needs. The board must include these licenses in a statewide differentiated licensing system that creates new leadership roles for successful experienced teachers premised on a collaborative professional culture dedicated to meeting students' diverse learning needs in the 21st century and formalizes mentoring and induction for newly licensed teachers that is provided through a teacher support framework.

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

(i) The board must receive recommendations from local committees as established by the board for the renewal of teaching licenses.

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

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

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

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

(n) The board must adopt rules that require all licensed teachers who are renewing their continuing license to include in their renewal requirements further preparation, first, in understanding the key warning signs of early-onset mental illness in children and adolescents and then, during subsequent licensure renewal periods, preparation may include providing a more in-depth understanding of students' mental illness trauma, accommodations for students' mental illness, parents' role in addressing students' mental illness, Fetal Alcohol Spectrum Disorders, autism, the requirements of section 125A.0942 governing restrictive procedures, and de-escalation methods, among other similar topics.

**EFFECTIVE DATE.** Paragraph (b) is effective the day following final enactment. Paragraph (n) is effective August 1, 2014.

Sec. 11. Minnesota Statutes 2012, section 122A.18, subdivision 2, is amended to read:

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

(b) The board must require a person to pass an examination of skills in reading, writing, and mathematics before being granted an initial teaching license to provide direct instruction to pupils in prekindergarten, elementary, secondary, or special education programs, except that the board may issue up to two additional temporary, one-year teaching licenses to an otherwise qualified candidate who has not yet passed the skills exam. The board must require colleges and universities offering a board approved teacher preparation program to ~~provide~~ make available upon request remedial assistance that includes a formal diagnostic component to persons enrolled in their institution who did not achieve a qualifying score on the skills examination, including those for whom English is a second language. The colleges and universities must ~~provide~~ make available assistance in the specific academic areas of deficiency in which the person did not achieve a qualifying score. School districts may make available upon request

similar, appropriate, and timely remedial assistance that includes a formal diagnostic component to those persons employed by the district who completed their teacher education program, who did not achieve a qualifying score on the skills examination, including those persons for whom English is a second language and persons under section 122A.23, subdivision 2, paragraph (h), who completed their teacher's education program outside the state of Minnesota, and who received a temporary license to teach in Minnesota. The Board of Teaching shall report annually to the education committees of the legislature on the total number of teacher candidates during the most recent school year taking the skills examination, the number who achieve a qualifying score on the examination, the number who do not achieve a qualifying score on the examination, the distribution of all candidates' scores, the number of candidates who have taken the examination at least once before, and the number of candidates who have taken the examination at least once before and achieve a qualifying score.

(c) The Board of Teaching must grant continuing licenses only to those persons who have met board criteria for granting a continuing license, which includes passing the skills examination in reading, writing, and mathematics consistent with paragraph (b) and section 122A.09, subdivision 4, paragraph (b).

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

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

Sec. 12. Minnesota Statutes 2012, section 122A.23, subdivision 2, is amended to read:

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

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

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

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

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

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



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

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

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

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

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

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

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

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

(h) The Board of Teaching must require an applicant for a teaching license or a temporary teaching license under this subdivision to pass a skills examination in reading, writing, and mathematics before the board issues the license. Consistent with section 122A.18, subdivision 2, paragraph (b), and notwithstanding other provisions of this subdivision, the board may issue up to two additional temporary, one-year teaching licenses to an otherwise qualified applicant who has not yet passed the skills exam.

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

Sec. 13. Minnesota Statutes 2012, section 122A.28, subdivision 1, is amended to read:

Subdivision 1. **K-12 license to teach deaf and hard-of-hearing students; relicensure.** (a) The Board of Teaching must review and determine appropriate licensure requirements for a candidate for a license or an applicant for a continuing license to teach deaf and hard-of-hearing students in prekindergarten through grade 12. In addition to other requirements, a candidate must demonstrate the minimum level of proficiency in American sign language as determined by the board.

(b) Among other relicensure requirements, each teacher under this section must complete 30 continuing education clock hours on hearing loss topics, including American Sign Language, American Sign Language linguistics, or deaf culture, in each licensure renewal period.

**EFFECTIVE DATE.** This section is effective August 1, 2013.

Sec. 14. Minnesota Statutes 2012, section 122A.33, subdivision 3, is amended to read:

Subd. 3. **Notice of nonrenewal; opportunity to respond.** A school board that declines to renew the coaching contract of a licensed or nonlicensed head varsity coach must notify the coach within 14 days of that decision. If the coach requests reasons for not renewing the coaching contract, the board must give the coach its reasons in writing within ten days of receiving the request. The existence of parent complaints must not be the sole reason for a board not to renew a coaching contract. Upon request, the board must provide the coach with a reasonable opportunity to respond to the reasons at a board meeting. The hearing may be opened or closed at the election of the coach unless the board closes the meeting under section 13D.05, subdivision 2, to discuss private data.

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

Sec. 15. Minnesota Statutes 2012, section 122A.40, subdivision 8, is amended to read:

Subd. 8. **Development, evaluation, and peer coaching for continuing contract teachers.** (a) To improve student learning and success, a school board and an exclusive representative of the teachers in the district, consistent with paragraph (b), may develop a teacher evaluation and peer review process for probationary and continuing contract teachers through joint agreement. If a school board and the exclusive representative of the teachers do not agree to an annual teacher evaluation and peer review process, then the school board and the exclusive representative of the teachers must implement the plan for evaluation and review under paragraph (c). The process must include having trained observers serve as peer coaches or having teachers participate in professional learning communities, consistent with paragraph (b).

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

(1) must, for probationary teachers, provide for all evaluations required under subdivision 5;

(2) must establish a three-year professional review cycle for each teacher that includes an individual growth and development plan, a peer review process, the opportunity to participate in a professional learning community under paragraph (a), and at least one summative evaluation performed by a qualified and trained evaluator such as a school administrator. For the years when a tenured teacher is not evaluated by a qualified and trained evaluator, the teacher must be evaluated by a peer review;

(3) must be based on professional teaching standards established in rule;

(4) must coordinate staff development activities under sections 122A.60 and 122A.61 with this evaluation process and teachers' evaluation outcomes;

(5) may provide time during the school day and school year for peer coaching and teacher collaboration;

(6) may include mentoring and induction programs;

(7) must include an option for teachers to develop and present a portfolio demonstrating evidence of reflection and professional growth, consistent with section 122A.18, subdivision 4, paragraph (b), and include teachers' own performance assessment based on student work samples and examples of teachers' work, which may include video among other activities for the summative evaluation;

(8) ~~must use an agreed-upon teacher value-added assessment model for the grade levels and subject areas for which value-added data are available and establish state or local measures of student growth for the grade levels and subject areas for which value-added data are not available as a basis for 35 percent of teacher evaluation results~~ must use data from valid and reliable assessments aligned to state and local academic standards and must use state and local measures of student growth that may include value-added models or student learning goals to determine 35 percent of teacher evaluation results;

(9) must use longitudinal data on student engagement and connection, and other student outcome measures explicitly aligned with the elements of curriculum for which teachers are responsible;

(10) must require qualified and trained evaluators such as school administrators to perform summative evaluations;

(11) must give teachers not meeting professional teaching standards under clauses (3) through (10) support to improve through a teacher improvement process that includes established goals and timelines; and

(12) must discipline a teacher for not making adequate progress in the teacher improvement process under clause (11) that may include a last chance warning, termination, discharge, nonrenewal, transfer to a different position, a leave of absence, or other discipline a school administrator determines is appropriate.

Data on individual teachers generated under this subdivision are personnel data under section 13.43.

(c) The department, in consultation with parents who may represent parent organizations and teacher and administrator representatives appointed by their respective organizations, representing the Board of Teaching, the Minnesota Association of School Administrators, the Minnesota School Boards Association, the Minnesota Elementary and Secondary Principals Associations, Education Minnesota, and representatives of the Minnesota Assessment Group, the Minnesota Business Partnership, the Minnesota Chamber of Commerce, and Minnesota postsecondary institutions with research expertise in teacher evaluation, must create and publish a teacher evaluation process that complies with the requirements in paragraph (b) and applies to all teachers under this section and section 122A.41 for whom no agreement exists under paragraph (a) for an annual teacher evaluation and peer review process. The teacher evaluation process created under this subdivision does not create additional due process rights for probationary teachers under subdivision 5.

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

Sec. 16. Minnesota Statutes 2012, section 122A.41, subdivision 5, is amended to read:

Subd. 5. **Development, evaluation, and peer coaching for continuing contract teachers.** (a) To improve student learning and success, a school board and an exclusive representative of the teachers in the district, consistent with paragraph (b), may develop an annual teacher evaluation and peer review process for probationary and nonprobationary teachers through joint agreement. If a school board and the exclusive representative of the teachers in the district do not agree to an annual teacher evaluation and peer review process, then the school board and the exclusive representative of the teachers must implement the plan for evaluation and review developed under paragraph (c). The process must include having trained observers serve as peer coaches or having teachers participate in professional learning communities, consistent with paragraph (b).

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

(1) must, for probationary teachers, provide for all evaluations required under subdivision 2;

(2) must establish a three-year professional review cycle for each teacher that includes an individual growth and development plan, a peer review process, the opportunity to participate in a professional learning community under paragraph (a), and at least one summative evaluation performed by a qualified and trained evaluator such as a school administrator;

(3) must be based on professional teaching standards established in rule;

(4) must coordinate staff development activities under sections 122A.60 and 122A.61 with this evaluation process and teachers' evaluation outcomes;

(5) may provide time during the school day and school year for peer coaching and teacher collaboration;

(6) may include mentoring and induction programs;

(7) must include an option for teachers to develop and present a portfolio demonstrating evidence of reflection and professional growth, consistent with section 122A.18, subdivision 4, paragraph (b), and include teachers' own performance assessment based on student work samples and examples of teachers' work, which may include video among other activities for the summative evaluation;

~~(8) must use an agreed upon teacher value added assessment model for the grade levels and subject areas for which value added data are available and establish state or local measures of student growth for the grade levels and subject areas for which value added data are not available as a basis for 35 percent of teacher evaluation results~~ must use data from valid and reliable assessments aligned to state and local academic standards and must use state and local measures of student growth that may include value-added models or student learning goals to determine 35 percent of teacher evaluation results;

(9) must use longitudinal data on student engagement and connection and other student outcome measures explicitly aligned with the elements of curriculum for which teachers are responsible;

(10) must require qualified and trained evaluators such as school administrators to perform summative evaluations;

(11) must give teachers not meeting professional teaching standards under clauses (3) through (10) support to improve through a teacher improvement process that includes established goals and timelines; and

(12) must discipline a teacher for not making adequate progress in the teacher improvement process under clause (11) that may include a last chance warning, termination, discharge, nonrenewal, transfer to a different position, a leave of absence, or other discipline a school administrator determines is appropriate.

Data on individual teachers generated under this subdivision are personnel data under section 13.43.

(c) The department, in consultation with parents who may represent parent organizations and teacher and administrator representatives appointed by their respective organizations, representing the Board of Teaching, the Minnesota Association of School Administrators, the Minnesota School Boards Association, the Minnesota Elementary and Secondary Principals Associations, Education Minnesota, and representatives of the Minnesota Assessment Group, the Minnesota Business Partnership, the Minnesota Chamber of Commerce, and Minnesota postsecondary institutions with research expertise in teacher evaluation, must create and publish a teacher evaluation process that complies with the requirements in paragraph (b) and applies to all teachers under this section and section 122A.40 for whom no agreement exists under paragraph (a) for an annual teacher evaluation and peer review process. The teacher evaluation process created under this subdivision does not create additional due process rights for probationary teachers under subdivision 2.

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

Sec. 17. Minnesota Statutes 2012, section 122A.415, is amended by adding a subdivision to read:

**Subd. 4. Basic alternative teacher compensation aid.** (a) For fiscal year 2015 and later, the basic alternative teacher compensation aid for a school with a plan approved under section 122A.414, subdivision 2b, equals 65 percent of the alternative teacher compensation revenue under subdivision 1. The basic alternative teacher compensation aid for an intermediate school district or charter school with a plan approved under section 122A.414,

subdivisions 2a and 2b, if the recipient is a charter school, equals \$260 times the number of pupils enrolled in the school on October 1 of the previous year, or on October 1 of the current year for a charter school in the first year of operation, times the ratio of the sum of the alternative teacher compensation aid and alternative teacher compensation levy for all participating school districts to the maximum alternative teacher compensation revenue for those districts under subdivision 1.

(b) Notwithstanding paragraph (a) and subdivision 1, the state total basic alternative teacher compensation aid entitlement must not exceed \$75,636,000 for fiscal year 2015 and later. The commissioner must limit the amount of alternative teacher compensation aid approved under this section so as not to exceed these limits.

**EFFECTIVE DATE.** This section is effective for revenue in fiscal year 2015 and later.

Sec. 18. Minnesota Statutes 2012, section 122A.415, is amended by adding a subdivision to read:

Subd. 5. **Alternative teacher compensation levy.** For fiscal year 2015 and later, the alternative teacher compensation levy for a district receiving basic alternative teacher compensation aid equals the product of (1) the difference between the district's alternative teacher compensation revenue and the district's basic alternative teacher compensation aid, times (2) the lesser of one or the ratio of the district's adjusted net tax capacity per adjusted pupil unit to \$6,100.

**EFFECTIVE DATE.** This section is effective for revenue in fiscal year 2015 and later.

Sec. 19. Minnesota Statutes 2012, section 122A.415, is amended by adding a subdivision to read:

Subd. 6. **Alternative teacher compensation equalization aid.** (a) For fiscal year 2015 and later, a district's alternative teacher compensation equalization aid equals the district's alternative teacher compensation revenue minus the district's basic alternative teacher compensation aid minus the district's alternative teacher compensation levy. If a district does not levy the entire amount permitted, the alternative teacher compensation equalization aid must be reduced in proportion to the actual amount levied.

(b) A district's alternative teacher compensation aid equals the sum of the district's basic alternative teacher compensation aid and the district's alternative teacher compensation equalization aid.

**EFFECTIVE DATE.** This section is effective for revenue in fiscal year 2015 and later.

Sec. 20. Minnesota Statutes 2012, section 122A.61, subdivision 1, is amended to read:

Subdivision 1. **Staff development revenue.** A district is required to reserve an amount equal to at least two percent of the basic revenue under section 126C.10, subdivision 2, for in-service education for programs under section 120B.22, subdivision 2, for staff development plans, including plans for challenging instructional activities and experiences under section 122A.60, and for curriculum development and programs, other in-service education, teachers' evaluation, teachers' workshops, teacher conferences, the cost of substitute teachers staff development purposes, preservice and in-service education for special education professionals and paraprofessionals, and other related costs for staff development efforts. A district may annually waive the requirement to reserve their basic revenue under this section if a majority vote of the licensed teachers in the district and a majority vote of the school board agree to a resolution to waive the requirement. A district in statutory operating debt is exempt from reserving basic revenue according to this section. Districts may expend an additional amount of unreserved revenue for staff development based on their needs.

**EFFECTIVE DATE.** This section is effective July 1, 2013.

Sec. 21. Minnesota Statutes 2012, section 124D.03, subdivision 12, is amended to read:

Subd. 12. **Termination of enrollment.** A district may terminate the enrollment of a nonresident student enrolled under this section or section 124D.08 at the end of a school year if the student meets the definition of a habitual truant under section 260C.007, subdivision 19, the student has been provided appropriate services under chapter 260A, and the student's case has been referred to juvenile court. A district may also terminate the enrollment of a nonresident student over the age of ~~46~~ 17 enrolled under this section if the student is absent without lawful excuse for one or more periods on 15 school days and has not lawfully withdrawn from school under section 120A.22, subdivision 8.

**EFFECTIVE DATE.** This section is effective for the 2014-2015 school year and later.

Sec. 22. Minnesota Statutes 2012, section 124D.095, subdivision 10, is amended to read:

Subd. 10. **Online and Digital Learning Advisory Council.** (a) An Online and Digital Learning Advisory Council is established. The term for each council member shall be three years. The advisory council is composed of ~~42~~ 14 members from throughout the state who have demonstrated experience with or interest in online learning. Two members of the council must represent technology business. The remaining membership must represent the following interests:

- (1) superintendents;
- (2) special education specialists;
- (3) technology directors;
- (4) teachers;
- (5) rural, urban, and suburban school districts;
- (6) supplemental programs;
- (7) full-time programs;
- (8) consortia;
- (9) charter schools;
- (10) Board of Teaching-approved teacher preparation programs; and
- (11) parents.

The members of the council shall be appointed by the commissioner.

(b) The advisory council shall bring to the attention of the commissioner and the legislature any matters related to online and digital learning and. The advisory council shall provide input to the department and the legislature in online learning matters related, but not restricted, to:

- (1) quality assurance;
- (2) teacher qualifications;

- (3) program approval;
- (4) special education;
- (5) attendance;
- (6) program design and requirements; and
- (7) fair and equal access to programs.

~~(b) By June 30, 2013,~~ (c) The ~~Online Learning~~ advisory council with the support of the Minnesota Department of Education and the Minnesota Learning Commons shall:

(1) oversee the development and maintenance of a catalog of publicly available digital learning content currently aligned to Minnesota academic standards to include:

- (i) indexing of Minnesota academic standards with which curriculum is aligned;
- (ii) a method for student and teacher users to provide evaluative feedback; and
- (iii) a plan for ongoing maintenance; and

(2) recommend methods for including student performance data on the digital learning content within the catalog.

(d) The advisory council shall also consider and provide input to the department and legislature on digital learning matters including, but not limited to:

(1) a review and approval process to ensure the quality of online learning providers based on teacher qualifications, support for special education services, definitions of student attendance, program design, and equal access;

(2) effective use of technology and related instructional strategies to improve student outcomes and advance students' 21st century skills and knowledge;

(3) measures to determine the impact of various forms of online and digital learning in and outside of the classroom;

(4) resources to help parents, students, and schools choose among enrollment options in a transparent education system;

(5) how to personalize or differentiate learning to meet the needs, abilities, and learning styles of each student and support students' ownership of their learning so that all students are digital learners and have access to high-quality digital curriculum in every class and grade level;

(6) professional development in best practices to prepare current and future teachers, other education leaders, and other school staff to use and evaluate the effectiveness of digital tools and instructional strategies, provide personalized or differentiated instruction, and focus on competency-based learning and advancement so that all educators have a digital presence and use high-quality digital curriculum;

(7) support for collaborative efforts to leverage resources for digital instructional content and curriculum; and

(8) barriers to improving the use of classroom technology and methods to ensure that each student has access to a digital device and high-speed Internet at school and at home.

(e) The advisory council shall make policy recommendations to the commissioner and committees of the legislature having jurisdiction over kindergarten through grade 12 education annually by December 15 of each year, including implementation plans based on recommendations from previous councils and task forces related to online and digital learning.

~~(e)~~ (f) The Online and Digital Learning Advisory Council under this subdivision expires June 30, ~~2013~~ 2016.

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

Sec. 23. Minnesota Statutes 2012, section 124D.122, is amended to read:

**124D.122 ESTABLISHMENT OF FLEXIBLE LEARNING YEAR PROGRAM.**

The board of any district or a consortium of districts, with the approval of the commissioner, may establish and operate a flexible learning year program in one or more of the day or residential facilities for children with a disability within the district. Consortiums may use a single application and evaluation process, though results, public hearings, and board approvals must be obtained for each district as required under appropriate sections.

Sec. 24. Minnesota Statutes 2012, section 124D.42, is amended to read:

**124D.42 READING AND MATH CORPS.**

Subd. 6. **Program training.** The commission must, within available resources:

- (1) orient each grantee organization in the nature, philosophy, and purpose of the program;
- (2) build an ethic of community service through general community service training; and
- (3) provide guidance on integrating programmatic-based measurement into program models.

Subd. 8. **Minnesota reading corps program.** (a) A Minnesota reading corps program is established to provide ServeMinnesota ~~Innovation~~ AmeriCorps members with a data-based problem-solving model of literacy instruction to use in helping to train local Head Start program providers, other prekindergarten program providers, and staff in schools with students in kindergarten through grade 3 to evaluate and teach early literacy skills, including comprehensive, scientifically based reading instruction under section 122A.06, subdivision 4, to children age 3 to grade 3.

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

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

Subd. 9. **Minnesota math corps program.** (a) A Minnesota math corps program is established to give ServeMinnesota AmeriCorps members a data-based problem-solving model of mathematics instruction useful for providing elementary and middle school students and their teachers with instructional support to meet state academic standards in mathematics.

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



**EFFECTIVE DATE.** This section is effective July 1, 2013.

Sec. 25. Minnesota Statutes 2012, section 124D.65, subdivision 5, is amended to read:

Subd. 5. **School district EL revenue.** (a) A district's English learner programs revenue equals the product of (1) ~~\$700 in fiscal year 2004 and later~~ \$704 times (2) the greater of 20 or the adjusted ~~marginal cost~~ average daily membership of eligible English learners enrolled in the district during the current fiscal year.

(b) A pupil ceases to generate state English learner aid in the school year following the school year in which the pupil attains the state cutoff score on a commissioner-provided assessment that measures the pupil's emerging academic English.

**EFFECTIVE DATE.** This section is effective for revenue for fiscal year 2015 and later.

Sec. 26. Minnesota Statutes 2012, section 124D.79, subdivision 1, is amended to read:

Subdivision 1. **Community involvement.** The commissioner must provide for the maximum involvement of the state committees on American Indian education, parents of American Indian children, secondary students eligible to be served, American Indian language and culture education teachers, American Indian teachers, teachers' aides, representatives of community groups, and persons knowledgeable in the field of American Indian education, in the formulation of policy and procedures relating to the administration of sections 124D.71 to 124D.82. The commissioner must annually hold a field hearing on Indian education to gather input from American Indian educators, parents, and students on the state of American Indian education in Minnesota. Results of the hearing must be made available to all 11 tribal nations for review and comment.

Sec. 27. Minnesota Statutes 2012, section 124D.79, is amended by adding a subdivision to read:

Subd. 4. **Consultation with the tribal nations education committee.** (a) The commissioner shall seek consultation with the Tribal Nations Education Committee on all issues relating to American Indian education including:

(1) administration of the commissioner's duties under sections 124D.71 to 124D.82 and other programs;

(2) administration of other programs for the education of American Indian people, as determined by the commissioner;

(3) awarding of scholarships to eligible American Indian students;

(4) administration of the commissioner's duties regarding awarding of American Indian postsecondary preparation grants to school districts; and

(5) recommendations of education policy changes for American Indians.

(b) Membership in the Tribal Nations Education Committee is the sole discretion of the committee and nothing in this subdivision gives the commissioner authority to dictate committee membership.

Sec. 28. **[124D.791] INDIAN EDUCATION DIRECTOR.**

Subdivision 1. **Appointment.** An Indian education director shall be appointed by the commissioner.

Subd. 2. **Qualifications.** The commissioner shall select the Indian education director on the basis of outstanding professional qualifications and knowledge of American Indian education, culture, practices, and beliefs. The Indian education director serves in the unclassified service. The commissioner may remove the Indian education director for cause. The commissioner is encouraged to seek qualified applicants who are enrolled members of a tribe.

Subd. 3. **Compensation.** Compensation of the Indian education director shall be established under chapter 15A.

Subd. 4. **Duties; powers.** The Indian education director shall:

(1) serve as the liaison for the department with the Tribal Nations Education Committee, the 11 reservations, the Minnesota Chippewa tribe, the Minnesota Indian Affairs Council, and the urban advisory council;

(2) evaluate the state of American Indian education in Minnesota;

(3) engage the tribal bodies, community groups, parents of children eligible to be served by American Indian education programs, American Indian administrators and teachers, persons experienced in the training of teachers for American Indian education programs, the tribally controlled schools, and other persons knowledgeable in the field of American Indian education and seek their advice on policies that can improve the quality of American Indian education;

(4) advise the commissioner on American Indian education issues, including:

(i) issues facing American Indian students;

(ii) policies for American Indian education;

(iii) awarding scholarships to eligible American Indian students and in administering the commissioner's duties regarding awarding of American Indian postsecondary preparation grants to school districts; and

(iv) administration of the commissioner's duties under sections 124D.71 to 124D.82 and other programs for the education of American Indian people;

(5) propose to the commissioner legislative changes that will improve the quality of American Indian education;

(6) develop a strategic plan and a long-term framework for American Indian education, in conjunction with the Minnesota Indian Affairs Council, that is updated every five years and implemented by the commissioner, with goals to:

(i) increase American Indian student achievement, including increased levels of proficiency and growth on statewide accountability assessments;

(ii) increase the number of American Indian teachers in public schools;

(iii) close the achievement gap between American Indian students and their more advantaged peers;

(iv) increase the statewide graduation rate for American Indian students; and

(v) increase American Indian student placement in postsecondary programs and the workforce; and

(7) keep the American Indian community informed about the work of the department by reporting to the Tribal Nations Education Committee at each committee meeting.

Sec. 29. **[124D.861] ACHIEVEMENT AND INTEGRATION FOR MINNESOTA.**

Subdivision 1. **Program to close the academic achievement and opportunity gap; revenue uses.** (a) The "Achievement and Integration for Minnesota" program is established to pursue racial and economic integration and increase student academic achievement, create equitable educational opportunities, and reduce academic disparities based on students' diverse racial, ethnic, and economic backgrounds in Minnesota public schools.

(b) For purposes of this section and section 124D.862, "eligible district" means a district required to submit a plan to the commissioner under Minnesota Rules governing school desegregation and integration, or be a member of a multidistrict integration collaborative that files a plan with the commissioner.

(c) Eligible districts must use the revenue under section 124D.862 to pursue academic achievement and racial and economic integration through: (1) integrated learning environments that prepare all students to be effective citizens and enhance social cohesion; (2) policies and curricula and trained instructors, administrators, school counselors, and other advocates to support and enhance integrated learning environments under this section, including through magnet schools, innovative, research-based instruction, differentiated instruction, and targeted interventions to improve achievement; and (3) rigorous, career and college readiness programs for underserved student populations, consistent with section 120B.30, subdivision 1; integrated learning environments to increase student academic achievement; cultural fluency, competency, and interaction; graduation and educational attainment rates; and parent involvement.

**Subd. 2. Plan implementation; components.** (a) The school board of each eligible district must formally develop and implement a long-term plan under this section. The plan must be incorporated into the district's comprehensive strategic plan under section 120B.11. Plan components may include: innovative and integrated prekindergarten through grade 12 learning environments that offer students school enrollment choices; family engagement initiatives that involve families in their students' academic life and success; professional development opportunities for teachers and administrators focused on improving the academic achievement of all students; increased programmatic opportunities focused on rigor and college and career readiness for underserved students, including students enrolled in alternative learning centers under section 123A.05, public alternative programs under section 126C.05, subdivision 15, and contract alternative programs under section 124D.69, among other underserved students; or recruitment and retention of teachers and administrators with diverse racial and ethnic backgrounds. The plan must contain goals for: (1) reducing the disparities in academic achievement among all students and specific categories of students under section 120B.35, subdivision 3, paragraph (b), excluding the student categories of gender, disability, and English learners; and (2) increasing racial and economic integration in schools and districts.

(b) Among other requirements, an eligible district must implement effective, research-based interventions that include formative assessment practices to reduce the disparities in student academic performance among the specific categories of students as measured by student progress and growth on state reading and math assessments and as aligned with section 120B.11.

(c) Eligible districts must create efficiencies and eliminate duplicative programs and services under this section, which may include forming collaborations or a single, seven-county metropolitan areawide partnership of eligible districts for this purpose.

**Subd. 3. Public engagement; progress report and budget process.** (a) To receive revenue under section 124D.862, the school board of an eligible district must incorporate school and district plan components under section 120B.11 into the district's comprehensive integration plan.

(b) A school board must hold at least one formal annual hearing to publicly report its progress in realizing the goals identified in its plan. At the hearing, the board must provide the public with longitudinal data demonstrating district and school progress in reducing the disparities in student academic performance among the specified categories of students and in realizing racial and economic integration, consistent with the district plan and the measures in paragraph (a). At least 30 days before the formal hearing under this paragraph, the board must post its plan, its preliminary analysis, relevant student performance data, and other longitudinal data on the district Web site. A district must hold one hearing to meet the hearing requirements of both this section and section 120B.11

(c) The district must submit a detailed budget to the commissioner by March 15 in the year before it implements its plan. The commissioner must review, and approve or disapprove the district's budget by June 1 of that year.

(d) The longitudinal data required under paragraph (a) must be based on student growth and progress in reading and mathematics, as defined under section 120B.30, subdivision 1, and student performance data and achievement reports from fully adaptive reading and mathematics assessments for grades 3 through 7 beginning in the 2015-2016 school year under section 120B.30, subdivision 1a, and either (i) school enrollment choices, (ii) the number of world language proficiency or high achievement certificates awarded under section 120B.022, subdivision 1, paragraphs (b) and (c), or (iii) school safety and students' engagement and connection at school under section 120B.35, subdivision 3, paragraph (d). Additional longitudinal data may be based on: students' progress toward career and college readiness under section 120B.30, subdivision 1; or rigorous coursework completed under section 120B.35, subdivision 3, paragraph (c), clause (2).

Subd. 4. **Timeline and implementation.** A board must approve its plan and submit it to the department by March 15. If a district that is part of a multidistrict council applies for revenue for a plan, the individual district shall not receive revenue unless it ratifies the plan adopted by the multidistrict council. Each plan has a term of three years. For the 2014-15 school year, an eligible district under this section must submit its plan to the commissioner for review by March 15, 2014. For the 2013-14 school year only, an eligible district may continue to implement its current plan until the commissioner approves a new plan under this section.

Subd. 5. **Evaluation.** The commissioner must evaluate the efficacy of district plans in reducing the disparities in student academic performance among the specified categories of students within the district, and in realizing racial and economic integration. The commissioner shall report evaluation results to the kindergarten through grade 12 education committees of the legislature by February 1 of every odd-numbered year.

Sec. 30. **[124D.862] ACHIEVEMENT AND INTEGRATION REVENUE.**

Subdivision 1. **Initial achievement and integration revenue.** (a) An eligible district's initial achievement and integration revenue equals the sum of (1) \$350 times the district's adjusted pupil units for that year times the ratio of the district's enrollment of protected students for the previous school year to total enrollment for the previous school year and (2) the greater of zero or 66 percent of the difference between the district's integration revenue for fiscal year 2013 and the district's integration revenue for fiscal year 2014 under clause (1).

(b) In each year, 0.3 percent of each district's initial achievement and integration revenue is transferred to the department for the oversight and accountability activities required under this section and section 124D.861.

Subd. 2. **Incentive revenue.** An eligible school district's maximum incentive revenue equals \$10 per adjusted pupil unit. In order to receive this revenue, a district must be implementing a voluntary plan to reduce racial and economic enrollment disparities through intradistrict and interdistrict activities that have been approved as a part of the district's achievement and integration plan.

Subd. 3. **Achievement and integration revenue.** Achievement and integration revenue equals the sum of initial achievement and integration revenue and incentive revenue.

Subd. 4. **Achievement and integration aid.** For fiscal year 2015 and later, a district's achievement and integration aid equals 70 percent of its achievement and integration revenue.

Subd. 5. **Achievement and integration levy.** A district's achievement and integration levy equals its achievement and integration revenue times the levy percentage specified in H. F. No. 677 or a similarly styled bill. For Special School District No. 1, Minneapolis, Independent School District No. 625, St. Paul, and Independent School District No. 709, Duluth, 100 percent of the levy certified under this subdivision is shifted into the prior calendar year for purposes of sections 123B.75, subdivision 5, and 127A.441.

Subd. 6. **Revenue uses.** (a) At least 80 percent of a district's achievement and integration revenue received under this section must be used for innovative and integrated learning environments, school enrollment choices, family engagement activities, and other approved programs providing direct services to students.

(b) Up to 20 percent of the revenue may be used for professional development and staff development activities and placement services.

(c) No more than ten percent of the total amount of revenue may be spent on administrative services.

Subd. 7. **Revenue reserved.** Integration revenue received under this section must be reserved and used only for the programs authorized in subdivision 2.

Subd. 8. **Commissioner authority to withhold revenue.** (a) The commissioner must review the results of each district's integration and achievement plan by August 1 at the end of the third year of implementing the plan and determine if the district met its goals.

(b) If a district met its goals, it may submit a new three-year plan to the commissioner for review.

(c) If a district has not met its goals, the commissioner must:

(1) develop a district improvement plan and timeline, in consultation with the affected district, that identifies strategies and practices designed to meet the district's goals under this section and section 120B.11; and

(2) use up to 20 percent of the district's integration revenue, until the district's goals are reached, to implement the improvement plan.

**EFFECTIVE DATE.** This section is effective for revenue for fiscal year 2014 and later. Subdivision 5 is effective for taxes payable in 2014 only.

Sec. 31. Minnesota Statutes 2012, section 260C.007, subdivision 19, is amended to read:

Subd. 19. **Habitual truant.** "Habitual truant" means a child under the age of ~~46~~ 17 years who is absent from attendance at school without lawful excuse for seven school days per school year if the child is in elementary school or for one or more class periods on seven school days per school year if the child is in middle school, junior high school, or high school; or a child who is ~~46 or~~ 17 years of age who is absent from attendance at school without lawful excuse for one or more class periods on seven school days per school year and who has not lawfully withdrawn from school under section 120A.22, subdivision 8.

**EFFECTIVE DATE.** This section is effective for the 2014-2015 school year and later.

Sec. 32. **ACHIEVEMENT AND INTEGRATION; RECOMMENDATIONS FOR CONFORMING CHANGES.**

The education commissioner shall review Minnesota Rules, parts 3535.0100 to 3535.0180, for consistency with Minnesota Statutes, sections 124D.861 and 124D.862, and make recommendations to the education committees of the legislature by February 15, 2014, for revising the rules or amending applicable statutes.

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

Sec. 33. **TEACHER LICENSURE ADVISORY TASK FORCE.**

Subdivision 1. **Establishment and duties.** (a) A Teacher Licensure Advisory Task Force is established to make recommendations to the Board of Teaching, the education commissioner, and the education committees of the legislature on requirements for: teacher applicants to demonstrate mastery of reading, writing, and mathematics skills through nationally normed assessments, a professional skills portfolio, or accredited college coursework, among other methods of demonstrating skills mastery; and an alternative licensure pathway for nonnative English speakers seeking licensure to teach in a language immersion program.

(b) Task force recommendations on how teacher candidates demonstrate skills mastery must encompass the following criteria:

(1) assessment content must be relevant to the teacher's subject area licensure;

(2) the scope of assessment content must be documented in sufficient detail to correspond to a similarly detailed description of relevant public school curriculum;

(3) the scope of assessment content must be publicly available and readily accessible on the Web site of the Board of Teaching and all Minnesota board-approved teacher preparation programs and institutions;

(4) the Board of Teaching and all Minnesota board-approved teacher preparation programs and institutions, upon request, must make available to the public at cost a written review of the scope of assessment content;

(5) if applicable, and consistent with federal and state data practices laws including the definition of summary data under Minnesota Statutes, section 13.02, subdivision 19, the Board of Teaching and all Minnesota board-approved teacher preparation programs and institutions annually must post on their Web site up-to-date longitudinal summary data showing teacher candidates' overall passing rate and the passing rate for each demographic group of teacher candidates taking a skills assessment in that school year and in previous school years;

(6) reliable evidence showing assessment content is not culturally biased;

(7) the Board of Teaching and all Minnesota board-approved teacher preparation programs and institutions must appropriately accommodate teacher candidates with documented learning disabilities, including an appeals process if a request for accommodations is denied; and

(8) if applicable, give timely, detailed item analysis feedback to teacher candidates who do not pass the skills assessment sufficient for the candidate to target specific areas of deficiency for appropriate remediation.

Subd. 2. **Membership.** The Teacher Licensure Advisory Task Force shall be composed of the following 20 members appointed by July 15, 2013:

(1) two members of the Board of Teaching appointed by the board's chair;

(2) two representatives from the Department of Education appointed by the commissioner of education;

(3) two members of the house of representatives, one appointed by the speaker of the house of representatives, and one appointed by the minority leader;

(4) two senators, one appointed by the Subcommittee on Committees of the Committee on Rules and Administration, and one appointed by the minority leader;

(5) one elementary school principal from rural Minnesota appointed by the Minnesota Elementary School Principals Association and one secondary school principal from the seven-county metropolitan area appointed by the Minnesota Secondary School Principals Association;

(6) one licensed and practicing public elementary school teacher and one licensed and practicing secondary school teacher appointed by Education Minnesota;

(7) one teacher preparation faculty member each from the University of Minnesota system appointed by the system president, the Minnesota State Colleges and Universities system appointed by the system chancellor, and the Minnesota Private Colleges and Universities system appointed by the Minnesota Private Colleges Council;

(8) one member of the nonpublic education council appointed by the council;

(9) one representative of Minnesota charter schools appointed by the Minnesota Charter Schools Association;

(10) two representatives from the business community, appointed by the Minnesota Chamber of Commerce; and

(11) one representative from the Minnesota School Boards Association.

Subd. 3. **First meeting; chair.** The executive director of the Board of Teaching and the commissioner of education jointly must convene the task force by August 1, 2013, and shall appoint a chair from the membership of the task force.

Subd. 4. **Report.** By February 1, 2014, task force members must submit to the Board of Teaching, the education commissioner, and to the chairs and ranking minority members of the senate and house of representatives committees and divisions with primary jurisdiction over K-12 education their written recommendations on requirements for teacher applicants to demonstrate mastery of reading, writing, and mathematics skills and for an alternative licensure pathway for nonnative English speakers seeking licensure to teach in a language immersion program.

Subd. 5. **Sunset.** The task force shall sunset the day after submitting the report under subdivision 6, or February 2, 2014, whichever is earlier.

Subd. 6. **Support.** The executive director of the board and the commissioner of education must provide technical assistance to task force members upon request.

Subd. 7. **Board of Teaching rules.** The Board of Teaching must consider the recommendations of the advisory task force and adopt revised rules by January 1, 2015, governing the skills portion of the teacher licensure exam.

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

Sec. 34. **STUDENT SUPPORT SERVICES; TEAM STAFFING APPROACH.**

The commissioner of education shall develop and submit to the kindergarten through grade 12 education policy and finance committees of the legislature by February 1, 2014, recommendations for providing access to licensed student support services, including licensed school counselors, licensed school psychologists, licensed school nurses, licensed school social workers, and licensed chemical health counselors, to public school students throughout Minnesota using a multidisciplinary team staffing structure. The recommendations must reflect:

(1) the extent to which students need academic, career, physical, emotional, social, and early-onset mental health services to ensure educational achievement, safety and enhancement of student's physical, emotional, and social well-being;

(2) the extent to which such services or teams do not exist, are incomplete or inadequate given the number of students with unmet psychological, social, and health needs that interfere with learning;

(3) existing funding streams and opportunities for additional funds to improve students' access to needed licensed student support services; and

(4) caseloads and best practices when working to improve access to needed licensed student support services.

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

Sec. 35. **FISCAL YEAR 2014 ACHIEVEMENT AND INTEGRATION AID AND LEVY.**

Subdivision 1. **Achievement and integration aid.** A district's achievement and integration aid for fiscal year 2014 equals the difference between the district's achievement and integration revenue and its achievement and integration levy for fiscal year 2014.

Subd. 2. **Achievement and integration levy.** For fiscal year 2014 only, a district's achievement and integration levy equals the amount the district was authorized to levy under Laws 2011, First Special Session chapter 11, article 2, section 49, paragraph (f).

**EFFECTIVE DATE.** This section is effective for revenue for fiscal year 2014 and later.

Sec. 36. **SUCCESS FOR THE FUTURE GRANT APPLICATIONS.**

A school district may receive a success for the future grant in the 2012-2013 school year if the school district's grant application was postmarked on or before the Department of Education's deadline date for application.

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

Sec. 37. **APPROPRIATIONS.**

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

Subd. 2. **Integration aid.** For integration aid under Minnesota Statutes, section 124D.86:

<u>\$17,197,000</u>	<u>.....</u>	<u>2014</u>
<u>\$0</u>	<u>.....</u>	<u>2015</u>

The 2014 appropriation includes \$17,197,000 for 2013 and \$0 for 2014.

The 2015 appropriation includes \$0 for 2014 and \$0 for 2015.

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

<u>\$58,911,000</u>	<u>.....</u>	<u>2014</u>
<u>\$68,623,000</u>	<u>.....</u>	<u>2015</u>

The 2014 appropriation includes \$0 for 2013 and \$58,911,000 for 2014.

The 2015 appropriation includes \$9,273,000 for 2014 and \$59,350,000 for 2015.

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

<u>\$52,514,000</u>	<u>.....</u>	<u>2014</u>
<u>\$53,818,000</u>	<u>.....</u>	<u>2015</u>

The 2014 appropriation includes \$6,607,000 for 2013 and \$45,907,000 for 2014.

The 2015 appropriation includes \$7,225,000 for 2014 and \$46,593,000 for 2015.



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

<u>\$13,968,000</u>	<u>.....</u>	<u>2014</u>
<u>\$14,712,000</u>	<u>.....</u>	<u>2015</u>

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

<u>\$2,137,000</u>	<u>.....</u>	<u>2014</u>
<u>\$2,137,000</u>	<u>.....</u>	<u>2015</u>

The 2014 appropriation includes \$290,000 for 2013 and \$1,847,000 for 2014.

The 2015 appropriation includes \$290,000 for 2014 and \$1,847,000 for 2015.

Subd. 7. **American Indian teacher preparation grants.** For joint grants to assist American Indian people to become teachers under Minnesota Statutes, section 122A.63:

<u>\$190,000</u>	<u>.....</u>	<u>2014</u>
<u>\$190,000</u>	<u>.....</u>	<u>2015</u>

Subd. 8. **Tribal contract schools.** For tribal contract school aid under Minnesota Statutes, section 124D.83:

<u>\$2,080,000</u>	<u>.....</u>	<u>2014</u>
<u>\$2,230,000</u>	<u>.....</u>	<u>2015</u>

The 2014 appropriation includes \$266,000 for 2013 and \$1,814,000 for 2014.

The 2015 appropriation includes \$285,000 for 2014 and \$1,945,000 for 2015.

Subd. 9. **Early childhood programs at tribal schools.** For early childhood family education programs at tribal contract schools under Minnesota Statutes, section 124D.83, subdivision 4:

<u>\$68,000</u>	<u>.....</u>	<u>2014</u>
<u>\$68,000</u>	<u>.....</u>	<u>2015</u>

Subd. 10. **Examination fees; teacher training and support programs.** (a) For students' advanced placement and international baccalaureate examination fees under Minnesota Statutes, section 120B.13, subdivision 3, and the training and related costs for teachers and other interested educators under Minnesota Statutes, section 120B.13, subdivision 1:

<u>\$4,500,000</u>	<u>.....</u>	<u>2014</u>
<u>\$4,500,000</u>	<u>.....</u>	<u>2015</u>

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

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

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

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

Subd. 11. **Concurrent enrollment program.** For concurrent enrollment programs under Minnesota Statutes, section 124D.091:

<u>\$2,000,000</u>	.....	<u>2014</u>
<u>\$2,000,000</u>	.....	<u>2015</u>

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

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

Subd. 12. **Collaborative urban educator.** For the collaborative urban educator grant program:

<u>\$782,000</u>	.....	<u>2014</u>
<u>\$782,000</u>	.....	<u>2015</u>

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

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

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

Subd. 13. **ServeMinnesota program.** For funding ServeMinnesota programs under Minnesota Statutes, sections 124D.37 to 124D.45:

<u>\$900,000</u>	.....	<u>2014</u>
<u>\$900,000</u>	.....	<u>2015</u>

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

Subd. 14. **Student organizations.** For student organizations:

<u>\$725,000</u>	.....	<u>2014</u>
<u>\$725,000</u>	.....	<u>2015</u>

\$46,000 each year is for student organizations serving health occupations (HOSA).

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

\$100,000 each year is for student organizations serving trade and industry occupations (Skills USA, secondary and postsecondary).

\$95,000 each year is for student organizations serving business occupations (BPA, secondary and postsecondary).

\$150,000 each year is for student organizations serving agriculture occupations (FFA, PAS).

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

\$109,000 each year is for student organizations serving marketing occupations (DECA and DECA collegiate).

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

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

Subd. 15. **Early childhood literacy programs.** For early childhood literacy programs under Minnesota Statutes, section 119A.50, subdivision 3:

<u>\$4,125,000</u>	.....	<u>2014</u>
<u>\$4,125,000</u>	.....	<u>2015</u>

Up to \$4,125,000 each year is for leveraging federal and private funding to support AmeriCorps members serving in the Minnesota Reading Corps program established by ServeMinnesota, including costs associated with the training and teaching of early literacy skills to children age three to grade 3 and the evaluation of the impact of the program under Minnesota Statutes, sections 124D.38, subdivision 2, and 124D.42, subdivision 6.

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

Subd. 16. **Minnesota math corps program.** For the Minnesota math corps program under Minnesota Statutes, section 124D.42, subdivision 9:

<u>\$250,000</u>	.....	<u>2014</u>
<u>\$250,000</u>	.....	<u>2015</u>

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

Subd. 17. **Regional centers of excellence.** For regional centers of excellence under Minnesota Statutes, section 120B.115, subdivision 4:

<u>\$1,000,000</u>	.....	<u>2014</u>
<u>\$1,000,000</u>	.....	<u>2015</u>

The base for the regional centers of excellence in fiscal years 2016 and 2017 is \$1,000,000 each year.

Subd. 18. **School Climate Center.** For the School Climate Center:

<u>\$500,000</u>	.....	<u>2014</u>
<u>\$500,000</u>	.....	<u>2015</u>

Subd. 19. **Site decision-making grant program.** For site decision-making grants under Minnesota Statutes, section 123B.04, subdivision 2, paragraph (f):

\$200,000                      .....                      2014

An education site having a written achievement contract under Minnesota Statutes, section 123B.04, subdivision 4, agreed to by the school board and the education site, may apply to the commissioner of education for a two-year grant not to exceed \$10 per resident pupil unit at the site in the 2012-2013 school year. Each participating education site and its school board that are the parties to the achievement contract must report annually to the commissioner, in the form and manner determined by the commissioner, on the progress and success of the education site in achieving student or contract goals or other performance expectations or measures contained in the achievement contract. The commissioner must include the substance and an analysis of these reports in the next statewide report under Minnesota Statutes, section 123B.04, subdivision 5, clause (3), evaluating the effectiveness of site management agreements in redesigning learning programs and broadening the definition of student achievement. Any unexpended funds do not cancel but are available in fiscal year 2015.

Subd. 20. **Alternative compensation.** For alternative teacher compensation aid under Minnesota Statutes, section 122A.415, subdivision 4:

\$60,340,000                      .....                      2015

The 2015 appropriation includes \$0 for 2014 and \$59,711,000 for 2015.

Subd. 21. **Teacher development and evaluation pilot grant program.** For grants to school districts to participate in the teacher development and evaluation pilot grant program:

\$683,000                      .....                      2014

This is a onetime appropriation.

Subd. 22. **Starbase MN.** For a grant to Starbase MN for rigorous science, technology, engineering, and math (STEM) program providing students in grades 4 to 6 with a multisensory learning experience and a hands-on curriculum in an aerospace environment using state-of-the-art technology:

\$500,000                      .....                      2014  
\$500,000                      .....                      2015

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

Subd. 23. **Civic education grants.** For grants to the Minnesota Civic Education Coalition: Kids Voting St. Paul, Learning Law and Democracy Foundation, and YMCA Youth in Government to provide civic education programs for Minnesota youth age 18 and under. Civic education is the study of constitutional principles and the democratic foundation of our national, state, and local institutions and the study of political processes and structures of government, grounded in the understanding of constitutional government under the rule of law.

\$125,000                      .....                      2014  
\$125,000                      .....                      2015

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

ARTICLE 4  
CHARTER SCHOOLS

Section 1. Minnesota Statutes 2012, section 124D.10, is amended to read:

**124D.10 CHARTER SCHOOLS.**

Subdivision 1. **Purposes.** (a) The primary purpose of this section is to:

(1) improve pupil learning and student achievement; Additional purposes include to:

(2) (1) increase learning opportunities for pupils;

(3) (2) encourage the use of different and innovative teaching methods;

(4) (3) measure learning outcomes and create different and innovative forms of measuring outcomes;

(5) (4) establish new forms of accountability for schools; ~~and~~ or

(6) (5) create new professional opportunities for teachers, including the opportunity to be responsible for the learning program at the school site.

(b) This section does not provide a means to keep open a school that a school board decides to close. However, a school board may endorse or authorize the establishing of a charter school to replace the school the board decided to close. Applicants seeking a charter under this circumstance must demonstrate to the authorizer that the charter sought is substantially different in purpose and program from the school the board closed and that the proposed charter satisfies the requirements of this subdivision. If the school board that closed the school authorizes the charter, it must document in its affidavit to the commissioner that the charter is substantially different in program and purpose from the school it closed.

An authorizer shall not approve an application submitted by a charter school developer under subdivision 4, paragraph (a), if the application does not comply with this subdivision. The commissioner shall not approve an affidavit submitted by an authorizer under subdivision 4, paragraph (b), if the affidavit does not comply with this subdivision.

Subd. 2. **Applicability.** This section applies only to charter schools formed and operated under this section.

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

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

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

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

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

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

(2) a charitable organization under section 501(c)(3) of the Internal Revenue Code of 1986, excluding a nonpublic sectarian or religious institution; any person other than a natural person that directly or indirectly, through one or more intermediaries, controls, is controlled by, or is under common control with the nonpublic sectarian or religious institution; and any other charitable organization under this clause that in the federal IRS Form 1023, Part IV, describes activities indicating a religious purpose, that:

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

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

(iii) is incorporated in the state of Minnesota and has been operating continuously for at least five years but does not operate a charter school;

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

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

(5) single-purpose authorizers that are charitable, nonsectarian organizations formed under section 501(c)(3) of the Internal Revenue Code of 1986 and incorporated in the state of Minnesota under chapter 317A as a corporation with no members whose sole purpose is to charter schools. Eligible organizations interested in being approved as an authorizer under this paragraph must submit a proposal to the commissioner that includes the provisions of paragraph (c) and a five-year financial plan. Such authorizers shall consider and approve charter school applications using the criteria provided in subdivision 4 and shall not limit the applications it solicits, considers, or approves to any single curriculum, learning program, or method.

(c) An eligible authorizer under this subdivision must apply to the commissioner for approval as an authorizer before submitting any affidavit to the commissioner to charter a school. The application for approval as a charter school authorizer must demonstrate the applicant's ability to implement the procedures and satisfy the criteria for chartering a school under this section. The commissioner must approve or disapprove an application within 45 business days of the application deadline. If the commissioner disapproves the application, the commissioner must notify the applicant of the specific deficiencies in writing and the applicant then has 20 business days to address the deficiencies to the commissioner's satisfaction. After the 20 business days expire, the commissioner has 15 business days to make a final decision to approve or disapprove the application. Failing to address the deficiencies to the commissioner's satisfaction makes an applicant ineligible to be an authorizer. The commissioner, in establishing criteria for approval, must consider the applicant's:

(1) capacity and infrastructure;

(2) application criteria and process;

(3) contracting process;

(4) ongoing oversight and evaluation processes; and

(5) renewal criteria and processes.

(d) An applicant must include in its application to the commissioner to be an approved authorizer at least the following:

(1) how chartering schools is a way for the organization to carry out its mission;

(2) a description of the capacity of the organization to serve as an authorizer, including the personnel who will perform the authorizing duties, their qualifications, the amount of time they will be assigned to this responsibility, and the financial resources allocated by the organization to this responsibility;

(3) a description of the application and review process the authorizer will use to make decisions regarding the granting of charters;

(4) a description of the type of contract it will arrange with the schools it charters that meets the provisions of subdivision 6;

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

(6) a description of the criteria and process the authorizer will use to grant expanded applications under subdivision 4, paragraph (j);

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

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

(e) A disapproved applicant under this section may resubmit an application during a future application period.

(f) If the governing board of an approved authorizer votes to withdraw as an approved authorizer for a reason unrelated to any cause under subdivision 23, the authorizer must notify all its chartered schools and the commissioner in writing by July 15 of its intent to withdraw as an authorizer on June 30 in the next calendar year. The commissioner may approve the transfer of a charter school to a new authorizer under this paragraph after the new authorizer submits an affidavit to the commissioner.

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

~~(h) An authorizer that chartered a school before August 1, 2009, must apply by June 30, 2012, to the commissioner for approval, under paragraph (e), to continue as an authorizer under this section. For purposes of this paragraph, an authorizer that fails to submit a timely application is ineligible to charter a school.~~

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

any findings that may subject the authorizer to corrective action and the authorizer then has 15 business days to request an informal hearing before the commissioner takes corrective action. If the commissioner terminates a contract between an authorizer and a charter school under this paragraph, the commissioner may assist the charter school in acquiring a new authorizer.

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

- (1) failing to demonstrate the criteria under paragraph (c) under which the commissioner approved the authorizer;
- (2) violating a term of the chartering contract between the authorizer and the charter school board of directors;
- (3) unsatisfactory performance as an approved authorizer; or

(4) any good cause shown that provides the commissioner a legally sufficient reason to take corrective action against an authorizer.

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

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

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

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

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



(e) A charter school shall publish and maintain on the school's official Web site: (1) the minutes of meetings of the board of directors, and of members and committees having any board-delegated authority, for at least one calendar year from the date of publication; (2) directory information for members of the board of directors and committees having board-delegated authority; and (3) identifying and contact information for the school's authorizer. Identifying and contact information for the school's authorizer must be included in other school materials made available to the public. Upon request of an individual, the charter school must also make available in a timely fashion financial statements showing all operations and transactions affecting income, surplus, and deficit during the school's last annual accounting period; and a balance sheet summarizing assets and liabilities on the closing date of the accounting period. A charter school also must ~~post on its official Web site information identifying its authorizer and indicate how to contact that authorizer and~~ include that same information about its authorizer in other school materials that it makes available to the public.

(f) Every charter school board member shall attend ~~ongoing annual~~ training throughout the member's term on ~~the board governance, including.~~ All new board members shall attend initial training on the board's role and responsibilities, employment policies and practices, and financial management. A new board member who does not begin the required initial training within six months after being seated and complete that training within 12 months of being seated on the board is automatically ineligible to continue to serve as a board member. The school shall include in its annual report the training attended by each board member during the previous year.

(g) The ongoing board must be elected before the school completes its third year of operation. Board elections must be held during the school year but may not be conducted on days when the school is closed for holidays, breaks, or vacations. The charter school board of directors shall be composed of at least five nonrelated members and include: (i) at least one licensed teacher employed as a teacher at the school or ~~a licensed teacher~~ providing instruction under contract between the charter school and a cooperative; (ii) ~~the~~ at least one parent or legal guardian of a student enrolled in the charter school who is not an employee of the charter school; and (iii) ~~an~~ at least one interested community member who resides in Minnesota and is not employed by the charter school and does not have a child enrolled in the school. The board ~~may be a teacher majority board composed~~ may include a majority of teachers described in this paragraph or parents or community members, or it may have no clear majority. The chief financial officer and the chief administrator may only serve as ex-officio nonvoting board members ~~and may not serve as a voting member of the board.~~ No charter school employees shall ~~not~~ serve on the board unless other than teachers under item (i) applies. Contractors providing facilities, goods, or services to a charter school shall not serve on the board of directors of the charter school. Board bylaws shall outline the process and procedures for changing the board's governance ~~model structure~~, consistent with chapter 317A. A board may change its governance ~~model structure~~ only:

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

(2) with the authorizer's approval.

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

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

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

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

(1) the proposed expansion plan demonstrates need and projected enrollment;

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

(3) the charter school is financially sound and the financing it needs to implement the proposed expansion exists; and

(4) the charter school has the governance structure and management capacity to carry out its expansion.

(k) The commissioner shall have 30 business days to review and comment on the supplemental affidavit. The commissioner shall notify the authorizer of any deficiencies in the supplemental affidavit and the authorizer then has 20 business days to address, to the commissioner's satisfaction, any deficiencies in the supplemental affidavit. The school may not expand grades or add sites until the commissioner has approved the supplemental affidavit. The commissioner's approval or disapproval of a supplemental affidavit is final.

Subd. 4a. **Conflict of interest.** (a) An individual is prohibited from serving as a member of the charter school board of directors if the individual, an immediate family member, or the individual's partner is ~~an~~ a full or part owner, employee or agent of, or a contractor principal with a for-profit or nonprofit entity or ~~individual independent contractor~~ with whom the charter school contracts, directly or indirectly, for professional services, goods, or facilities. An individual is prohibited from serving as a board member if an immediate family member is an employee of the school. A violation of this prohibition renders a contract voidable at the option of the commissioner or the charter school board of directors. A member of a charter school board of directors who violates this prohibition is individually liable to the charter school for any damage caused by the violation.

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

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

(2) the immediate family of the board member, employee, officer, or agent;

(3) the partner of the board member, employee, officer, or agent; or

(4) an organization that employs, or is about to employ any individual in clauses (1) to (3),

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

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

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

(e) The conflict of interest provisions under this subdivision do not apply to compensation paid to a teacher employed as a teacher by the charter school ~~who~~ or a teacher who provides instructional services to the charter school through a cooperative formed under chapter 308A when the teacher also serves as a member of on the charter school board of directors.

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

Subd. 5. **Conversion of existing schools.** A board of an independent or special school district may convert one or more of its existing schools to charter schools under this section if 60 percent of the full-time teachers at the school sign a petition seeking conversion. The conversion must occur at the beginning of an academic year.

Subd. 6. **Charter contract.** The authorization for a charter school must be in the form of a written contract signed by the authorizer and the board of directors of the charter school. The contract must be completed within 45 business days of the commissioner's approval of the authorizer's affidavit. The authorizer shall submit to the commissioner a copy of the signed charter contract within ten business days of its execution. The contract for a charter school must be in writing and contain at least the following:

(1) a declaration that the charter school will carry out the primary purpose in subdivision 1 and how the school will report its implementation of the primary purpose;

~~(2)~~ (2) a declaration of the additional purpose or purposes in subdivision 1 that the school intends to carry out and how the school will report its implementation of those purposes;

~~(3)~~ (3) a description of the school program and the specific academic and nonacademic outcomes that pupils must achieve;

~~(4)~~ (4) a statement of admission policies and procedures;

~~(5)~~ (5) a governance, management, and administration plan for the school;

~~(6)~~ (6) signed agreements from charter school board members to comply with all federal and state laws governing organizational, programmatic, and financial requirements applicable to charter schools;

~~(7)~~ (7) the criteria, processes, and procedures that the authorizer will use ~~for ongoing oversight of operational, financial, and academic performance to monitor and evaluate the fiscal, operational, and academic performance consistent with subdivision 15, paragraphs (a) and (b);~~

~~(8)~~ (8) for contract renewal, the formal written performance evaluation of the school that is a prerequisite for reviewing a charter contract under subdivision 15;

~~(9)~~ (9) types and amounts of insurance liability coverage to be obtained by the charter school, consistent with subdivision 8, paragraph (k);

~~(10)~~ (10) consistent with subdivision 25, paragraph (d), a provision to indemnify and hold harmless the authorizer and its officers, agents, and employees from any suit, claim, or liability arising from any operation of the charter school, and the commissioner and department officers, agents, and employees notwithstanding section 3.736;

~~(11)~~ (11) the term of the initial contract, which may be up to five years plus an additional preoperational planning year, and up to five years for a renewed contract or a contract with a new authorizer after a transfer of authorizers, if warranted by the school's academic, financial, and operational performance;

~~(12)~~ (12) how the board of directors or the operators of the charter school will provide special instruction and services for children with a disability under sections 125A.03 to 125A.24, and 125A.65, a description of the financial parameters within which the charter school will operate to provide the special instruction and services to children with a disability;

~~(12) the process and criteria the authorizer intends to use to monitor and evaluate the fiscal and student performance of the charter school, consistent with subdivision 15; and~~

(13) the specific conditions for contract renewal that identify performance under the primary purpose of subdivision 1 as the most important factor in determining contract renewal;

(14) the additional purposes under subdivision 1, paragraph (a), and related performance obligations under clause (7) contained in the charter contract as additional factors in determining contract renewal; and

~~(13) (15) the plan for an orderly closing of the school under chapter 317A, if whether the closure is a termination for cause, a voluntary termination, or a nonrenewal of the contract, ~~and~~ that includes establishing the responsibilities of the school board of directors and the authorizer and notifying the commissioner, authorizer, school district in which the charter school is located, and parents of enrolled students about the closure, information and assistance sufficient to enable the student to re-enroll in another school, the transfer of student records ~~to students' resident districts~~ under subdivision 8, paragraph (p), and procedures for closing financial operations.~~

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

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

(c) A charter school independent audit report shall include audited financial data of an affiliated building corporation or other component unit.

~~(e) (d)~~ If the audit report finds that a material weakness exists in the financial reporting systems of a charter school, the charter school must submit a written report to the commissioner explaining how the material weakness will be resolved. An auditor, as a condition of providing financial services to a charter school, must agree to make available information about a charter school's financial audit to the commissioner and authorizer upon request.

Subd. 7. **Public status; exemption from statutes and rules.** A charter school is a public school and is part of the state's system of public education. A charter school is exempt from all statutes and rules applicable to a school, school board, or school district unless a statute or rule is made specifically applicable to a charter school or is included in this section.

Subd. 8. **Federal, state, and local requirements.** (a) A charter school shall meet all federal, state, and local health and safety requirements applicable to school districts.

(b) A school must comply with statewide accountability requirements governing standards and assessments in chapter 120B.

(c) A school authorized by a school board may be located in any district, unless the school board of the district of the proposed location disapproves by written resolution.

(d) A charter school must be nonsectarian in its programs, admission policies, employment practices, and all other operations. An authorizer may not authorize a charter school or program that is affiliated with a nonpublic sectarian school or a religious institution. A charter school student must be released for religious instruction, consistent with section 120A.22, subdivision 12, clause (3).

(e) Charter schools must not be used as a method of providing education or generating revenue for students who are being home-schooled. This paragraph does not apply to shared time aid under section 126C.19.

(f) The primary focus of a charter school must be to provide a comprehensive program of instruction for at least one grade or age group from five through 18 years of age. Instruction may be provided to people younger than five years and older than 18 years of age.

(g) A charter school may not charge tuition.

(h) A charter school is subject to and must comply with chapter 363A and section 121A.04.

(i) A charter school is subject to and must comply with the Pupil Fair Dismissal Act, sections 121A.40 to 121A.56, and the Minnesota Public School Fee Law, sections 123B.34 to 123B.39.

(j) A charter school is subject to the same financial audits, audit procedures, and audit requirements as a district, except as required under subdivision 6a. Audits must be conducted in compliance with generally accepted governmental auditing standards, the federal Single Audit Act, if applicable, and section 6.65. A charter school is subject to and must comply with sections 15.054; 118A.01; 118A.02; 118A.03; 118A.04; 118A.05; 118A.06; 471.38; 471.391; 471.392; and 471.425. The audit must comply with the requirements of sections 123B.75 to 123B.83, except to the extent deviations are necessary because of the program at the school. Deviations must be approved by the commissioner and authorizer. The Department of Education, state auditor, legislative auditor, or authorizer may conduct financial, program, or compliance audits. A charter school determined to be in statutory operating debt under sections 123B.81 to 123B.83 must submit a plan under section 123B.81, subdivision 4.

(k) A charter school is a district for the purposes of tort liability under chapter 466.

(l) A charter school must comply with chapters 13 and 13D; and sections 120A.22, subdivision 7; 121A.75; and 260B.171, subdivisions 3 and 5.

(m) A charter school is subject to the Pledge of Allegiance requirement under section 121A.11, subdivision 3.

(n) A charter school offering online courses or programs must comply with section 124D.095.

(o) A charter school and charter school board of directors are subject to chapter 181.

(p) A charter school must comply with section 120A.22, subdivision 7, governing the transfer of students' educational records and sections 138.163 and 138.17 governing the management of local records.

(q) A charter school that provides early childhood health and developmental screening must comply with sections 121A.16 to 121A.19.

(r) A charter school that provides school-sponsored youth athletic activities must comply with section 121A.38.

(s) A charter school is subject to and must comply with continuing truant notification under section 260A.03.

(t) A charter school must develop and implement a teacher evaluation and peer review process, under section 122A.40, subdivision 8, paragraph (b), clauses (2) to (12).

(u) A charter school must adopt a policy, plan, budget, and process, consistent with section 120B.11, to review curriculum, instruction, and student achievement and strive for the world's best workforce.

Subd. 8a. **Aid reduction.** The commissioner may reduce a charter school's state aid under section 127A.42 or 127A.43 if the charter school board fails to correct a violation under this section.

Subd. 8b. **Aid reduction for violations.** The commissioner may reduce a charter school's state aid by an amount not to exceed 60 percent of the charter school's basic revenue for the period of time that a violation of law occurs.

Subd. 9. **Admission requirements.** (a) A charter school may limit admission to:

(1) pupils within an age group or grade level;

(2) pupils who are eligible to participate in the graduation incentives program under section 124D.68; or

(3) residents of a specific geographic area in which the school is located when the majority of students served by the school are members of underserved populations.

(b) A charter school shall enroll an eligible pupil who submits a timely application, unless the number of applications exceeds the capacity of a program, class, grade level, or building. In this case, pupils must be accepted by lot. The charter school must develop and publish, including on its Web site, a lottery policy and process that it must use when accepting pupils by lot.

(c) A charter school shall give enrollment preference to a sibling of an enrolled pupil and to a foster child of that pupil's parents and may give preference for enrolling children of the school's staff before accepting other pupils by lot.

(d) A person shall not be admitted to a charter school (1) as a kindergarten pupil, unless the pupil is at least five years of age on September 1 of the calendar year in which the school year for which the pupil seeks admission commences; or (2) as a first grade student, unless the pupil is at least six years of age on September 1 of the calendar year in which the school year for which the pupil seeks admission commences or has completed kindergarten; except that a charter school may establish and publish on its Web site a policy for admission of selected pupils at an earlier age, consistent with the enrollment process in paragraphs (b) and (c).

(e) Except as permitted in paragraph (d), a charter school may not limit admission to pupils on the basis of intellectual ability, measures of achievement or aptitude, or athletic ability and may not establish any criteria or requirements for admission that are inconsistent with this subdivision.

(f) The charter school shall not distribute any services or goods of value to students, parents, or guardians as an inducement, term, or condition of enrolling a student in a charter school.

Subd. 10. **Pupil performance.** A charter school must design its programs to at least meet the outcomes adopted by the commissioner for public school students. In the absence of the commissioner's requirements, the school must meet the outcomes contained in the contract with the authorizer. The achievement levels of the outcomes contained in the contract may exceed the achievement levels of any outcomes adopted by the commissioner for public school students.

Subd. 11. **Employment and other operating matters.** (a) A charter school must employ or contract with necessary teachers, as defined by section 122A.15, subdivision 1, who hold valid licenses to perform the particular service for which they are employed in the school. The charter school's state aid may be reduced under section 127A.43 if the school employs a teacher who is not appropriately licensed or approved by the board of teaching. The school may employ necessary employees who are not required to hold teaching licenses to perform duties other than teaching and may contract for other services. The school may discharge teachers and nonlicensed employees. The charter school board is subject to section 181.932. When offering employment to a prospective employee, a charter school must give that employee a written description of the terms and conditions of employment and the school's personnel policies.

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

(c) The board of directors also shall decide and be responsible for policy matters related to the operation of the school, including budgeting, curriculum programming, personnel, and operating procedures. The board shall adopt a policy on nepotism in employment. The board shall adopt personnel evaluation policies and practices that, at a minimum:

(1) carry out the school's mission and goals;

(2) evaluate the execution of charter contract goals and commitments;

(3) evaluate student achievement, postsecondary and workforce readiness, and student engagement and connection goals;

(4) establish a teacher evaluation process under subdivision 8, paragraph (t); and

(5) provide professional development related to the individual's job responsibilities.

Subd. 12. **Pupils with a disability.** A charter school must comply with sections 125A.02, 125A.03 to 125A.24, and 125A.65 and rules relating to the education of pupils with a disability as though it were a district.

Subd. 13. **Length of school year.** A charter school must provide instruction each year for at least the number of hours required by section 120A.41. It may provide instruction throughout the year according to sections 124D.12 to 124D.127 or 124D.128.

Subd. 14. **Annual public reports.** (a) A charter school must publish an annual report approved by the board of directors. The annual report must at least include information on school enrollment, student attrition, governance and management, staffing, finances, academic performance, ~~operational performance~~, innovative practices and implementation, and future plans. A charter school must post the annual report on the school's official Web site. A charter school must also distribute the annual report by publication, mail, or electronic means to ~~the commissioner, its~~ authorizer, school employees, and parents and legal guardians of students enrolled in the charter school ~~and must also post the report on the charter school's official Web site.~~ The reports are public data under chapter 13.

(b) The commissioner shall establish specifications for an authorizer's annual public report that is part of the system to evaluate authorizer performance under subdivision 3, paragraph (h). The report shall at least include key indicators of school academic, operational, and financial performance.

Subd. 15. **Review and comment.** (a) The authorizer shall provide a formal written evaluation of the school's performance before the authorizer renews the charter contract. The department must review and comment on the authorizer's evaluation process at the time the authorizer submits its application for approval and each time the authorizer undergoes its five-year review under subdivision 3, paragraph ~~(i)~~ (h).

(b) An authorizer shall monitor and evaluate the ~~fiscal, academic, financial,~~ operational, and student performance of the school, and may for this purpose annually assess a charter school a fee according to paragraph (c). The agreed-upon fee structure must be stated in the charter school contract.

(c) The fee that ~~each charter school pays to an authorizer each year~~ an authorizer may annually assess is the greater of:

(1) the basic formula allowance for that year; or

(2) the lesser of:

(i) the maximum fee factor times the basic formula allowance for that year; or

(ii) the fee factor times the basic formula allowance for that year times the charter school's adjusted ~~marginal cost~~ pupil units for that year. The fee factor equals ~~.005 in fiscal year 2010, .01 in fiscal year 2011, .013 in fiscal year 2012, and .015 in fiscal years 2013 and later.~~ The maximum fee factor equals ~~1.5 in fiscal year 2010, 2.0 in fiscal year 2011, 3.0 in fiscal year 2012, and 4.0 in fiscal years 2013 and later.~~

(d) An authorizer may not assess a fee for any required services other than as provided in this subdivision.

(e) For the preoperational planning period, after a school is chartered, the authorizer may assess a charter school a fee equal to the basic formula allowance.

(f) By September 30 of each year, an authorizer shall submit to the commissioner a statement of income and expenditures related to chartering activities during the previous school year ending June 30. A copy of the statement shall be given to all schools chartered by the authorizer.

Subd. 16. **Transportation.** (a) A charter school after its first fiscal year of operation by March 1 of each fiscal year and a charter school by July 1 of its first fiscal year of operation must notify the district in which the school is located and the Department of Education if it will provide its own transportation or use the transportation services of the district in which it is located for the fiscal year.

(b) If a charter school elects to provide transportation for pupils, the transportation must be provided by the charter school within the district in which the charter school is located. The state must pay transportation aid to the charter school according to section 124D.11, subdivision 2.

For pupils who reside outside the district in which the charter school is located, the charter school is not required to provide or pay for transportation between the pupil's residence and the border of the district in which the charter school is located. A parent may be reimbursed by the charter school for costs of transportation from the pupil's residence to the border of the district in which the charter school is located if the pupil is from a family whose income is at or below the poverty level, as determined by the federal government. The reimbursement may not exceed the pupil's actual cost of transportation or 15 cents per mile traveled, whichever is less. Reimbursement may not be paid for more than 250 miles per week.

At the time a pupil enrolls in a charter school, the charter school must provide the parent or guardian with information regarding the transportation.

(c) If a charter school does not elect to provide transportation, transportation for pupils enrolled at the school must be provided by the district in which the school is located, according to sections 123B.88, subdivision 6, and 124D.03, subdivision 8, for a pupil residing in the same district in which the charter school is located. Transportation may be provided by the district in which the school is located, according to sections 123B.88, subdivision 6, and 124D.03, subdivision 8, for a pupil residing in a different district. If the district provides the transportation, the scheduling of routes, manner and method of transportation, control and discipline of the pupils, and any other matter relating to the transportation of pupils under this paragraph shall be within the sole discretion, control, and management of the district.



Subd. 17. **Leased space.** A charter school may lease space from an independent or special school board ~~eligible to be an authorizer~~, other public organization, private, nonprofit nonsectarian organization, private property owner, or a sectarian organization if the leased space is constructed as a school facility. The department must review and approve or disapprove leases in a timely manner for purposes of determining eligibility for lease aid under section 124D.11, subdivision 4.

Subd. 17a. **Affiliated nonprofit building corporation.** (a) Before a charter school may organize an affiliated nonprofit building corporation (i) to renovate or purchase an existing facility to serve as a school or (ii) to expand an existing building or construct a new school facility, an authorizer must submit an affidavit to the commissioner for approval in the form and manner the commissioner prescribes, and consistent with paragraphs (b) and (c) or (d).

(b) An affiliated nonprofit building corporation under this subdivision must:

(1) be incorporated under section 317A;

(2) comply with applicable Internal Revenue Service regulations, including regulations for "supporting organizations" as defined by the Internal Revenue Service;

(3) submit to the commissioner each fiscal year a list of current board members and a copy of its annual audit; and

(4) comply with government data practices law under chapter 13.

An affiliated nonprofit building corporation must not serve as the leasing agent for property or facilities it does not own. A charter school that leases a facility from an affiliated nonprofit building corporation that does not own the leased facility is ineligible to receive charter school lease aid. The state is immune from liability resulting from a contract between a charter school and an affiliated nonprofit building corporation.

(c) A charter school may organize an affiliated nonprofit building corporation to renovate or purchase an existing facility to serve as a school if the charter school:

(1) has been operating for at least five consecutive school years;

(2) has had a net positive unreserved general fund balance as of June 30 in the preceding five fiscal years;

(3) has a long-range strategic and financial plan;

(4) completes a feasibility study of available buildings;

(5) documents enrollment projections and the need to use an affiliated building corporation to renovate or purchase an existing facility to serve as a school; and

(6) has a plan for the renovation or purchase, which describes the parameters and budget for the project.

(d) A charter school may organize an affiliated nonprofit building corporation to expand an existing school facility or construct a new school facility if the charter school:

(1) demonstrates the lack of facilities available to serve as a school;

(2) has been operating for at least eight consecutive school years;

(3) has had a net positive unreserved general fund balance as of June 30 in the preceding five fiscal years;

(4) completes a feasibility study of facility options;

(5) has a long-range strategic and financial plan that includes enrollment projections and demonstrates the need for constructing a new school facility; and

(6) has a plan for the expansion or new school facility, which describes the parameters and budget for the project.

**Subd. 17b. Positive review and comment.** ~~(e)~~ A charter school or an affiliated nonprofit building corporation organized by a charter school must not initiate an installment contract for purchase, or a lease agreement, or solicit bids for new construction, expansion, or remodeling of an educational facility that requires an expenditure in excess of \$1,400,000, unless it meets the criteria in subdivision 17a, paragraph (b) and paragraph (c) or (d), as applicable, and receives a positive review and comment from the commissioner under section 123B.71.

**Subd. 19. Disseminate information.** (a) ~~The authorizer, the operators,~~ Authorizers and the department must disseminate information to the public on how to form and operate a charter school. Charter schools must disseminate information about how to use the offerings of a charter school. Targeted groups include low-income families and communities, students of color, and students who are at risk of academic failure.

(b) Authorizers, operators, and the department also may disseminate information about the successful best practices in teaching and learning demonstrated by charter schools.

**Subd. 20. Leave to teach in a charter school.** If a teacher employed by a district makes a written request for an extended leave of absence to teach at a charter school, the district must grant the leave. The district must grant a leave not to exceed a total of five years. Any request to extend the leave shall be granted only at the discretion of the school board. The district may require that the request for a leave or extension of leave be made before February 1 in the school year preceding the school year in which the teacher intends to leave, or February 1 of the calendar year in which the teacher's leave is scheduled to terminate. Except as otherwise provided in this subdivision and except for section 122A.46, subdivision 7, the leave is governed by section 122A.46, including, but not limited to, reinstatement, notice of intention to return, seniority, salary, and insurance.

During a leave, the teacher may continue to aggregate benefits and credits in the Teachers' Retirement Association account under chapters 354 and 354A, consistent with subdivision 22.

**Subd. 21. Collective bargaining.** Employees of the board of directors of a charter school may, if otherwise eligible, organize under chapter 179A and comply with its provisions. The board of directors of a charter school is a public employer, for the purposes of chapter 179A, upon formation of one or more bargaining units at the school. Bargaining units at the school must be separate from any other units within an authorizing district, except that bargaining units may remain part of the appropriate unit within an authorizing district, if the employees of the school, the board of directors of the school, the exclusive representative of the appropriate unit in the authorizing district, and the board of the authorizing district agree to include the employees in the appropriate unit of the authorizing district.

**Subd. 22. Teacher and other employee retirement.** (a) Teachers in a charter school must be public school teachers for the purposes of chapters 354 and 354A.

(b) Except for teachers under paragraph (a), employees in a charter school must be public employees for the purposes of chapter 353.

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

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

(1) failure to ~~meet~~ demonstrate satisfactory academic achievement for all students, including the requirements for pupil performance contained in the contract;

(2) failure to meet generally accepted standards of fiscal management;

(3) violations of law; or

(4) other good cause shown.

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

~~(c) If the authorizer and the charter school board of directors mutually agree to terminate or not renew the contract, a change in authorizers is allowed if the commissioner approves the change to a different eligible authorizer to authorize the charter school. Both parties must jointly submit their intent in writing to the commissioner to mutually terminate the contract. The authorizer that is a party to the existing contract must inform the proposed authorizer about the fiscal and operational status and student performance of the school. Before the commissioner determines whether to approve a change in authorizer, the proposed authorizer must identify any outstanding issues in the proposed charter contract that were unresolved in the previous charter contract and have the charter school agree to resolve those issues. If no change in authorizer is approved, the school must be dissolved according to applicable law and the terms of the contract.~~

(c) If the authorizer and the charter school board of directors mutually agree not to renew the contract, a change in authorizers is allowed. The authorizer and the school board must jointly submit a written and signed letter of their intent to the commissioner to mutually not renew the contract. The authorizer that is a party to the existing contract must inform the proposed authorizer about the fiscal, operational, and student performance status of the school, as well as any outstanding contractual obligations that exist. The charter contract between the proposed authorizer and the school must identify and provide a plan to address any outstanding obligations from the previous contract. The proposed contract must be submitted at least 105 business days before the end of the existing charter contract. The commissioner shall have 30 business days to review and make a determination. The proposed authorizer and the school shall have 15 business days to respond to the determination and address any issues identified by the commissioner. A final determination by the commissioner shall be made no later than 45 business days before the end of the current charter contract. If no change in authorizer is approved, the school and the current authorizer may withdraw their letter of nonrenewal and enter into a new contract. If the transfer of authorizers is not approved and the current authorizer and the school do not withdraw their letter and enter into a new contract, the school must be dissolved according to applicable law and the terms of the contract.

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

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

Subd. 23a. **Related party lease costs.** (a) A charter school is prohibited from entering a lease of real property with a related party unless the lessor is a nonprofit corporation under chapter 317A or a cooperative under chapter 308A, and the lease cost is reasonable under section 124D.11, subdivision 4, clause (1).

(b) For purposes of this section and section 124D.11:

(1) "related party" means an affiliate or immediate relative of the other party in question, an affiliate of an immediate relative, or an immediate relative of an affiliate;

(2) "affiliate" means a person that directly or indirectly, through one or more intermediaries, controls, is controlled by, or is under common control with another person;

(3) "immediate family" means an individual whose relationship by blood, marriage, adoption, or partnering is no more remote than first cousin;

(4) "person" means an individual or entity of any kind; and

(5) "control" means the ability to affect the management, operations, or policy actions or decisions of a person, whether through ownership of voting securities, by contract, or otherwise.

(c) A lease of real property to be used for a charter school, not excluded in paragraph (a), must contain the following statement: "This lease is subject to Minnesota Statutes, section 124D.10, subdivision 23a."

(d) If a charter school enters into as lessee a lease with a related party and the charter school subsequently closes, the commissioner has the right to recover from the lessor any lease payments in excess of those that are reasonable under section 124D.11, subdivision 4, clause (1).

Subd. 24. **Pupil enrollment upon nonrenewal or termination of charter school contract.** If a contract is not renewed or is terminated according to subdivision 23, a pupil who attended the school, siblings of the pupil, or another pupil who resides in the same place as the pupil may enroll in the resident district or may submit an application to a nonresident district according to section 124D.03 at any time. Applications and notices required by section 124D.03 must be processed and provided in a prompt manner. The application and notice deadlines in section 124D.03 do not apply under these circumstances. The closed charter school must transfer the student's educational records within ten business days of closure to the student's school district of residence where the records must be retained or transferred under section 120A.22, subdivision 7.

Subd. 25. **Extent of specific legal authority.** (a) The board of directors of a charter school may sue and be sued.

(b) The board may not levy taxes or issue bonds.

(c) The commissioner, an authorizer, members of the board of an authorizer in their official capacity, and employees of an authorizer are immune from civil or criminal liability with respect to all activities related to a charter school they approve or authorize. The board of directors shall obtain at least the amount of and types of insurance up to the applicable tort liability limits under chapter 466. The charter school board must submit a copy of the insurance policy to its authorizer ~~and the commissioner~~ before starting operations. The charter school board must submit changes in its insurance carrier or policy to its authorizer ~~and the commissioner~~ within 20 business days of the change.

(d) Notwithstanding section 3.736, the charter school shall assume full liability for its activities and indemnify and hold harmless the authorizer and its officers, agents, and employees from any suit, claim, or liability arising from any operation of the charter school and the commissioner and department officers, agents, and employees. A charter school is not required to indemnify or hold harmless a state employee if the state would not be required to indemnify and hold the employee harmless under section 3.736, subdivision 9.

**Subd. 27. Collaboration between charter school and school district.** (a) A charter school board may voluntarily enter into a two-year, renewable agreement for collaboration to enhance student achievement with a school district within whose geographic boundary it operates.

(b) A school district need not be an approved authorizer to enter into a collaboration agreement with a charter school. A charter school need not be authorized by the school district with which it seeks to collaborate.

(c) A charter school authorizer is prohibited from requiring a collaboration agreement as a condition of entering into or renewing a charter contract as defined in subdivision 6.

(d) Nothing in this subdivision or in the collaboration agreement may impact in any way the authority or autonomy of the charter school.

(e) Nothing in this subdivision or in the collaboration agreement shall cause the state to pay twice for the same student, service, or facility or otherwise impact state funding, or the flow thereof, to the school district or the charter school.

(f) The collaboration agreement may include, but need not be limited to, collaboration regarding facilities, transportation, training, student achievement, assessments, mutual performance standards, and other areas of mutual agreement.

(g) The school district may include the academic performance of the students of a collaborative charter school site operating within the geographic boundaries of the school district, for purposes of student assessment and reporting to the state.

(h) Districts, authorizers, or charter schools entering into a collaborative agreement are equally and collectively subject to the same state and federal accountability measures for student achievement, school performance outcomes, and school improvement strategies. The collaborative agreement and all accountability measures must be posted on the district, charter school, and authorizer Web sites.

**EFFECTIVE DATE.** This section is effective July 1, 2013, except subdivision 6 is effective August 1, 2013.

Sec. 2. Minnesota Statutes 2012, section 124D.11, subdivision 1, is amended to read:

Subdivision 1. **General education revenue.** ~~(a)~~ General education revenue must be paid to a charter school as though it were a district. The general education revenue for each adjusted ~~marginal cost~~ pupil unit is the state average general education revenue per pupil unit, plus the referendum equalization aid allowance in the pupil's district of residence, minus an amount equal to the product of the formula allowance according to section 126C.10,

subdivision 2, times ~~.0485~~ .0466, calculated without basic skills revenue, extended time revenue, ~~alternative teacher compensation revenue~~, ~~pension adjustment revenue~~, transition revenue, and transportation sparsity revenue, plus basic skills revenue, extended time revenue, ~~basic alternative teacher compensation aid according to section 126C.10, subdivision 34~~, ~~pension adjustment revenue~~, and transition revenue as though the school were a school district. The general education revenue for each extended time ~~marginal cost~~ pupil unit equals ~~\$4,378~~ \$4,794.

~~(b) Notwithstanding paragraph (a), for charter schools in the first year of operation, general education revenue shall be computed using the number of adjusted pupil units in the current fiscal year.~~

**EFFECTIVE DATE.** This section is effective for revenue for fiscal year 2015 and later.

Sec. 3. Minnesota Statutes 2012, section 124D.11, subdivision 2, is amended to read:

Subd. 2. **Transportation revenue.** Transportation revenue must be paid to a charter school that provides transportation services according to section 124D.10, subdivision 16, according to this subdivision. Transportation aid shall equal transportation revenue.

In addition to the revenue under subdivision 1, a charter school providing transportation services must receive general education aid equal to the sum of the product of (i) an amount equal to the product of the formula allowance according to section 126C.10, subdivision 2, times ~~.0485~~ .0466, plus the transportation sparsity allowance for the school district in which the charter school is located times (ii) the adjusted ~~marginal cost~~ pupil units, plus the product of \$223 times the extended time ~~marginal cost~~ pupil units.

**EFFECTIVE DATE.** This section is effective for revenue for fiscal year 2015 and later.

Sec. 4. Minnesota Statutes 2012, section 124D.11, subdivision 4, is amended to read:

Subd. 4. **Building lease aid.** (a) When a charter school finds it economically advantageous to rent or lease a building or land for any instructional purposes and it determines that the total operating capital revenue under section 126C.10, subdivision 13, is insufficient for this purpose, it may apply to the commissioner for building lease aid for this purpose. The commissioner must review and either approve or deny a lease aid application using the following criteria:

(1) the reasonableness of the price based on current market values;

(2) the extent to which the lease conforms to applicable state laws and rules; and

(3) the appropriateness of the proposed lease in the context of the space needs and financial circumstances of the charter school. The commissioner must approve aid only for a facility lease that has (i) a sum certain annual cost and (ii) an escape clause the charter school may exercise if its charter contract is terminated or not renewed.

A charter school must not use the building lease aid it receives for custodial, maintenance service, utility, or other operating costs.

(b) The amount of annual building lease aid ~~per pupil unit served~~ for a charter school ~~for any year~~ shall not exceed the lesser of ~~(a) (1)~~ (1) 90 percent of the approved cost or ~~(b) (2)~~ (2) the product of the pupil units served for the current school year times ~~\$1,200~~ \$1,314.

**EFFECTIVE DATE.** This section is effective July 1, 2014.

Sec. 5. Minnesota Statutes 2012, section 260A.02, subdivision 3, is amended to read:

Subd. 3. **Continuing truant.** "Continuing truant" means a child who is subject to the compulsory instruction requirements of section 120A.22 and is absent from instruction in a school, as defined in section 120A.05, without valid excuse within a single school year for:

- (1) three days if the child is in elementary school; or
- (2) three or more class periods on three days if the child is in middle school, junior high school, or high school.

Nothing in this section shall prevent a school district or charter school from notifying a truant child's parent or legal guardian of the child's truancy or otherwise addressing a child's attendance problems prior to the child becoming a continuing truant.

Sec. 6. Minnesota Statutes 2012, section 260A.03, is amended to read:

**260A.03 NOTICE TO PARENT OR GUARDIAN WHEN CHILD IS A CONTINUING TRUANT.**

Upon a child's initial classification as a continuing truant, the school attendance officer or other designated school official shall notify the child's parent or legal guardian, by first-class mail or other reasonable means, of the following:

- (1) that the child is truant;
- (2) that the parent or guardian should notify the school if there is a valid excuse for the child's absences;
- (3) that the parent or guardian is obligated to compel the attendance of the child at school pursuant to section 120A.22 and parents or guardians who fail to meet this obligation may be subject to prosecution under section 120A.34;
- (4) that this notification serves as the notification required by section 120A.34;
- (5) that alternative educational programs and services may be available in the child's enrolling or resident district;
- (6) that the parent or guardian has the right to meet with appropriate school personnel to discuss solutions to the child's truancy;
- (7) that if the child continues to be truant, the parent and child may be subject to juvenile court proceedings under chapter 260C;
- (8) that if the child is subject to juvenile court proceedings, the child may be subject to suspension, restriction, or delay of the child's driving privilege pursuant to section 260C.201; and
- (9) that it is recommended that the parent or guardian accompany the child to school and attend classes with the child for one day.

Sec. 7. Minnesota Statutes 2012, section 260A.05, subdivision 1, is amended to read:

Subdivision 1. **Establishment.** A school district or charter school may establish one or more school attendance review boards to exercise the powers and duties in this section. The school district or charter school board shall appoint the members of the school attendance review board and designate the schools within the board's jurisdiction. Members of a school attendance review board may include:

(1) the superintendent of the school district or the superintendent's designee or charter school director or the director's designee;

(2) a principal and one or more other school officials from within the district or charter school;

(3) parent representatives;

(4) representatives from community agencies that provide services for truant students and their families;

(5) a juvenile probation officer;

(6) school counselors and attendance officers; and

(7) law enforcement officers.

Sec. 8. Minnesota Statutes 2012, section 260A.07, subdivision 1, is amended to read:

Subdivision 1. **Establishment; referrals.** A county attorney may establish a truancy mediation program for the purpose of resolving truancy problems without court action. If a student is in a school district or charter school that has established a school attendance review board, the student may be referred to the county attorney under section 260A.06, subdivision 3. If the student's school district or charter school has not established a board, the student may be referred to the county attorney by the school district or charter school if the student continues to be truant after the parent or guardian has been sent or conveyed the notice under section 260A.03.

Sec. 9. **APPROPRIATIONS.**

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

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

<u>\$54,484,000</u>	.....	<u>2014</u>
<u>\$59,533,000</u>	.....	<u>2015</u>

The 2014 appropriation includes \$6,819,000 for 2013 and \$47,665,000 for 2014.

The 2015 appropriation includes \$7,502,000 for 2014 and \$52,031,000 for 2015.

Sec. 10. **REVISOR'S INSTRUCTION; CHARTER SCHOOLS RECODIFICATION.**

The revisor of statutes, in consultation with K-12 education staff in House Research and Senate Counsel and Research, shall prepare a recodification of Minnesota Statutes, sections 124D.10 and 124D.11, including corresponding technical corrections and other needed technical changes and shall submit the completed recodification to the chairs and ranking minority members of the legislative committees having jurisdiction over K-12 education policy and finance.

## ARTICLE 5 SPECIAL PROGRAMS

Section 1. Minnesota Statutes 2012, section 15.059, subdivision 5b, is amended to read:

Subd. 5b. **Continuation dependent on federal law.** Notwithstanding this section, the following councils and committees do not expire unless federal law no longer requires the existence of the council or committee:



- (1) Rehabilitation Council for the Blind, created in section 248.10;
- (2) Juvenile Justice Advisory Committee, created in section 299A.72;
- (3) Governor's Workforce Development Council, created in section 116L.665;
- (4) local workforce councils, created in section 116L.666, subdivision 2;
- (5) Rehabilitation Council, created in section 268A.02, subdivision 2; ~~and~~
- (6) Statewide Independent Living Council, created in section 268A.02, subdivision 2; and
- (7) Interagency Coordinating Council, created in section 125A.28.

Sec. 2. Minnesota Statutes 2012, section 124D.11, subdivision 5, is amended to read:

Subd. 5. **Special education aid.** (a) Except as provided in subdivision 2, special education aid must be paid to a charter school according to section 125A.76, as though it were a school district.

~~(b) For fiscal year 2006, the charter school may charge tuition to the district of residence as follows:~~

~~(1) if the charter school does not receive general education revenue on behalf of the student according to subdivision 1, tuition shall be charged as provided in section 125A.11; or~~

~~(2) if the charter school receives general education revenue on behalf of the student according to subdivision 1, tuition shall be charged as provided in section 127A.47, subdivision 7, paragraph (d).~~

~~(e)~~ (b) For fiscal year ~~2007~~ 2015 and later, the special education aid paid to the charter school shall be adjusted as follows:

(1) if the charter school does not receive general education revenue on behalf of the student according to subdivision 1, the aid shall be adjusted as provided in section 125A.11; or

(2) if the charter school receives general education revenue on behalf of the student according to subdivision 1, the aid shall be adjusted as provided in section 127A.47, subdivision 7, ~~paragraph~~ paragraphs (b) to (d).

**EFFECTIVE DATE.** This section is effective for fiscal year 2015 and later.

Sec. 3. Minnesota Statutes 2012, section 125A.0941, is amended to read:

**125A.0941 DEFINITIONS.**

(a) The following terms have the meanings given them.

(b) "Emergency" means a situation where immediate intervention is needed to protect a child or other individual from physical injury ~~or to prevent serious property damage~~. Emergency does not mean circumstances such as: a child who does not respond to a task or request and instead places his or her head on a desk or hides under a desk or table; a child who does not respond to a staff person's request unless failing to respond would result in physical injury to the child or other individual; or an emergency incident has already occurred and no threat of physical injury currently exists.

(c) "Physical holding" means physical intervention intended to hold a child immobile or limit a child's movement, where body contact is the only source of physical restraint, and where immobilization is used to effectively gain control of a child in order to protect ~~the a~~ child or other ~~person~~ individual from physical injury. The term physical holding does not mean physical contact that:

- (1) helps a child respond or complete a task;
- (2) assists a child without restricting the child's movement;
- (3) is needed to administer an authorized health-related service or procedure; or
- (4) is needed to physically escort a child when the child does not resist or the child's resistance is minimal.

(d) "Positive behavioral interventions and supports" means interventions and strategies to improve the school environment and teach children the skills to behave appropriately.

(e) "Prone restraint" means placing a child in a face down position.

(f) "Restrictive procedures" means the use of physical holding or seclusion in an emergency. Restrictive procedures must not be used to punish or otherwise discipline a child.

(g) "Seclusion" means confining a child alone in a room from which egress is barred. Egress may be barred by an adult locking or closing the door in the room or preventing the child from leaving the room. Removing a child from an activity to a location where the child cannot participate in or observe the activity is not seclusion.

**EFFECTIVE DATE.** This section is effective July 1, 2013.

Sec. 4. Minnesota Statutes 2012, section 125A.0942, is amended to read:

#### **125A.0942 STANDARDS FOR RESTRICTIVE PROCEDURES.**

Subdivision 1. **Restrictive procedures plan.** (a) Schools that intend to use restrictive procedures shall maintain and make publicly accessible in an electronic format on a school or district Web site or make a paper copy available upon request describing a restrictive procedures plan for children with disabilities that ~~includes~~ at least ~~the~~ following:

- (1) lists the list of restrictive procedures the school intends to use;
- (2) describes how the school will implement a range of positive behavior strategies and provide links to mental health services;
- (3) describes how the school will monitor and review the use of restrictive procedures, including:
  - (i) conducting post-use debriefings, consistent with subdivision 3, paragraph (a), clause (5); and
  - (ii) convening an oversight committee to undertake a quarterly review of the use of restrictive procedures based on patterns or problems indicated by similarities in the time of day, day of the week, duration of the use of a procedure, the individuals involved, or other factors associated with the use of restrictive procedures; the number of times a restrictive procedure is used schoolwide and for individual children; the number and types of injuries, if any, resulting from the use of restrictive procedures; whether restrictive procedures are used in nonemergency situations; the need for additional staff training; and proposed actions to minimize the use of restrictive procedures; and

~~(3)~~ (4) includes a written description and documentation of the training staff completed under subdivision 5.

(b) Schools annually must publicly identify oversight committee members who must at least include:

(1) a mental health professional, school psychologist, or school social worker;

(2) an expert in positive behavior strategies;

(3) a special education administrator; and

(4) a general education administrator.

Subd. 2. **Restrictive procedures.** (a) Restrictive procedures may be used only by a licensed special education teacher, school social worker, school psychologist, behavior analyst certified by the National Behavior Analyst Certification Board, a person with a master's degree in behavior analysis, other licensed education professional, paraprofessional under section 120B.363, or mental health professional under section 245.4871, subdivision 27, who has completed the training program under subdivision 5.

(b) A school shall make reasonable efforts to notify the parent on the same day a restrictive procedure is used on the child, or if the school is unable to provide same-day notice, notice is sent within two days by written or electronic means or as otherwise indicated by the child's parent under paragraph (d).

~~(c) When restrictive procedures are used twice in 30 days or when a pattern emerges and restrictive procedures are not included in a child's individualized education program or behavior intervention plan,~~ The district must hold a meeting of the individualized education program team, conduct or review a functional behavioral analysis, review data, consider developing additional or revised positive behavioral interventions and supports, consider actions to reduce the use of restrictive procedures, and modify the individualized education program or behavior intervention plan as appropriate. The district must hold the meeting: within ten calendar days after district staff use restrictive procedures on two separate school days within 30 calendar days or a pattern of use emerges and the child's individualized education program or behavior intervention plan does not provide for using restrictive procedures in an emergency; or at the request of a parent or the district after restrictive procedures are used. The district must review use of restrictive procedures at a child's annual individualized education program meeting when the child's individualized education program provides for using restrictive procedures in an emergency.

(d) If the individualized education program team under paragraph (c) determines that existing interventions and supports are ineffective in reducing the use of restrictive procedures or the district uses restrictive procedures on a child on ten or more school days during the same school year, the team, as appropriate, either must consult with other professionals working with the child; consult with experts in behavior analysis, mental health, communication, or autism; consult with culturally competent professionals; review existing evaluations, resources, and successful strategies; or consider whether to reevaluate the child.

(e) At the individualized education program meeting under paragraph (c), the team must review any known medical or psychological limitations, including any medical information the parent provides voluntarily, that contraindicate the use of a restrictive procedure, consider whether to prohibit that restrictive procedure, and document any prohibition in the individualized education program or behavior intervention plan.

~~(d)~~ (f) An individualized education program team may plan for using restrictive procedures and may include these procedures in a child's individualized education program or behavior intervention plan; however, the restrictive procedures may be used only in response to behavior that constitutes an emergency, consistent with this section. The individualized education program or behavior intervention plan shall indicate how the parent wants to be notified when a restrictive procedure is used.

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

(1) ~~the~~ physical holding or seclusion ~~must be~~ is the least intrusive intervention that effectively responds to the emergency;

(2) physical holding or seclusion is not used to discipline a noncompliant child;

(3) physical holding or seclusion ~~must end~~ ends when the threat of harm ends and the staff determines ~~that~~ the child can safely return to the classroom or activity;

(~~3~~) (4) staff ~~must~~ directly ~~observe~~ observes the child while physical holding or seclusion is being used;

(~~4~~) (5) each time physical holding or seclusion is used, the staff person who implements or oversees the physical holding or seclusion ~~shall document~~ documents, as soon as possible after the incident concludes, the following information:

(i) a description of the incident that led to the physical holding or seclusion;

(ii) why a less restrictive measure failed or was determined by staff to be inappropriate or impractical;

(iii) the time the physical holding or seclusion began and the time the child was released; and

(iv) a brief record of the child's behavioral and physical status;

(~~5~~) (6) the room used for seclusion must:

(i) be at least six feet by five feet;

(ii) be well lit, well ventilated, adequately heated, and clean;

(iii) have a window that allows staff to directly observe a child in seclusion;

(iv) have tamperproof fixtures, electrical switches located immediately outside the door, and secure ceilings;

(v) have doors that open out and are unlocked, locked with keyless locks that have immediate release mechanisms, or locked with locks that have immediate release mechanisms connected with a fire and emergency system; and

(vi) not contain objects that a child may use to injure the child or others;

(~~6~~) (7) before using a room for seclusion, a school must:

(i) receive written notice from local authorities that the room and the locking mechanisms comply with applicable building, fire, and safety codes; and

(ii) register the room with the commissioner, who may view that room; and

(~~7~~) (8) until August 1, ~~2013~~ 2015, a school district may use prone restraints with children age five or older ~~under~~ the following conditions if:

(i) ~~a~~ the district has provided to the department a list of staff who have had specific training on the use of prone restraints;

(ii) ~~a~~ the district provides information on the type of training that was provided and by whom;

(iii) ~~prone restraints may only be used by~~ staff who ~~have~~ received specific training use prone restraints;

(iv) each incident of the use of prone restraints is reported to the department within five working days on a form provided by the department; and

(v) ~~a~~ the district, ~~prior to~~ before using prone restraints, must review any known medical or psychological limitations that contraindicate the use of prone restraints.

~~The department will report back to the chairs and ranking minority members of the legislative committees with primary jurisdiction over education policy by February 1, 2013, on the use of prone restraints in the schools. Consistent with item (iv),~~ The department must collect data on districts' use of prone restraints and publish the data in a readily accessible format on the department's Web site on a quarterly basis.

~~(b) The department must develop a statewide plan by February 1, 2013, to reduce districts' use of restrictive procedures that includes~~ By March 1, 2014, stakeholders must recommend to the commissioner specific and measurable implementation and outcome goals for reducing the use of restrictive procedures and the commissioner must submit to the legislature a report on districts' progress in reducing the use of restrictive procedures that recommends how to further reduce these procedures and eliminate the use of prone restraints. The statewide plan includes the following components: measurable goals; the resources, training, technical assistance, mental health services, and collaborative efforts needed to significantly reduce districts' use of prone restraints; and recommendations to clarify and improve the law governing districts' use of restrictive procedures. ~~The department must convene~~ commissioner must consult with interested stakeholders ~~to develop the statewide plan and identify the need for technical assistance when preparing the report,~~ including representatives of advocacy organizations, special education directors, teachers, paraprofessionals, intermediate school districts, school boards, day treatment providers, county social services, state human services department staff, mental health professionals, and autism experts. ~~To assist the department and stakeholders under this paragraph, school districts must report summary data to the department by July 1, 2012, on districts' use of restrictive procedures during the 2011-2012 school year, including data on the number of incidents involving restrictive procedures, the total number of students on which restrictive procedures were used, the number of resulting injuries, relevant demographic data on the students and school, and other relevant data collected by the district. By June 30 each year, districts must report summary data on their use of restrictive procedures to the department, in a form and manner determined by the commissioner.~~

Subd. 4. **Prohibitions.** The following actions or procedures are prohibited:

(1) engaging in conduct prohibited under section 121A.58;

(2) requiring a child to assume and maintain a specified physical position, activity, or posture that induces physical pain;

(3) totally or partially restricting a child's senses as punishment;

(4) presenting an intense sound, light, or other sensory stimuli using smell, taste, substance, or spray as punishment;

(5) denying or restricting a child's access to equipment and devices such as walkers, wheelchairs, hearing aids, and communication boards that facilitate the child's functioning, except when temporarily removing the equipment or device is needed to prevent injury to the child or others or serious damage to the equipment or device, in which case the equipment or device shall be returned to the child as soon as possible;

(6) interacting with a child in a manner that constitutes sexual abuse, neglect, or physical abuse under section 626.556;

(7) withholding regularly scheduled meals or water;

(8) denying access to bathroom facilities; and

(9) physical holding that restricts or impairs a child's ability to breathe, restricts or impairs a child's ability to communicate distress, places pressure or weight on a child's head, throat, neck, chest, lungs, sternum, diaphragm, back, or abdomen, or results in straddling a child's torso.

Subd. 5. **Training for staff.** (a) To meet the requirements of subdivision 1, staff who use restrictive procedures, including paraprofessionals, shall complete training in the following skills and knowledge areas:

(1) positive behavioral interventions;

(2) communicative intent of behaviors;

(3) relationship building;

(4) alternatives to restrictive procedures, including techniques to identify events and environmental factors that may escalate behavior;

(5) de-escalation methods;

(6) standards for using restrictive procedures only in an emergency;

(7) obtaining emergency medical assistance;

(8) the physiological and psychological impact of physical holding and seclusion;

(9) monitoring and responding to a child's physical signs of distress when physical holding is being used; ~~and~~

(10) recognizing the symptoms of and interventions that may cause positional asphyxia when physical holding is used;

(11) district policies and procedures for timely reporting and documenting each incident involving use of a restricted procedure; and

(12) schoolwide programs on positive behavior strategies.

(b) The commissioner, after consulting with the commissioner of human services, must develop and maintain a list of training programs that satisfy the requirements of paragraph (a). The commissioner also must develop and maintain a list of experts to help individualized education program teams reduce the use of restrictive procedures. The district shall maintain records of staff who have been trained and the organization or professional that conducted the training. The district may collaborate with children's community mental health providers to coordinate trainings.

Subd. 6. **Behavior supports.** School districts are encouraged to establish effective schoolwide systems of positive behavior interventions and supports. Nothing in this section or section 125A.0941 precludes the use of reasonable force under sections 121A.582; 609.06, subdivision 1; and 609.379.

**EFFECTIVE DATE.** This section is effective July 1, 2013.

Sec. 5. Minnesota Statutes 2012, section 125A.11, subdivision 1, is amended to read:

Subdivision 1. **Nonresident tuition rate; other costs.** ~~(a) For fiscal year 2006, when a school district provides instruction and services outside the district of residence, board and lodging, and any tuition to be paid, shall be paid by the district of residence. The tuition rate to be charged for any child with a disability, excluding a pupil for whom tuition is calculated according to section 127A.47, subdivision 7, paragraph (d), must be the sum of (1) the actual cost of providing special instruction and services to the child including a proportionate amount for special transportation and unreimbursed building lease and debt service costs for facilities used primarily for special education, plus (2) the amount of general education revenue and referendum aid attributable to the pupil, minus (3) the amount of special education aid for children with a disability received on behalf of that child, minus (4) if the pupil receives special instruction and services outside the regular classroom for more than 60 percent of the school day, the amount of general education revenue and referendum aid, excluding portions attributable to district and school administration, district support services, operations and maintenance, capital expenditures, and pupil transportation, attributable to that pupil for the portion of time the pupil receives special instruction and services outside of the regular classroom. If the boards involved do not agree upon the tuition rate, either board may apply to the commissioner to fix the rate. Notwithstanding chapter 14, the commissioner must then set a date for a hearing or request a written statement from each board, giving each board at least ten days' notice, and after the hearing or review of the written statements the commissioner must make an order fixing the tuition rate, which is binding on both school districts. General education revenue and referendum equalization aid attributable to a pupil must be calculated using the resident district's average general education revenue and referendum equalization aid per adjusted pupil unit.~~

~~(b)~~ (a) For fiscal year ~~2007~~ 2015 and later, when a school district provides special instruction and services for a pupil with a disability as defined in section 125A.02 outside the district of residence, excluding a pupil for whom an adjustment to special education aid is calculated according to section 127A.47, subdivision 7, ~~paragraph (e)~~ paragraphs (b) to (d), special education aid paid to the resident district must be reduced by an amount equal to (1) the actual cost of providing special instruction and services to the pupil, including a proportionate amount for special transportation and unreimbursed building lease and debt service costs for facilities used primarily for special education, plus (2) the amount of general education revenue and referendum equalization aid attributable to that pupil, calculated using the resident district's average general education revenue and referendum equalization aid per adjusted pupil unit excluding basic skills revenue, elementary sparsity revenue and secondary sparsity revenue, minus (3) the amount of special education aid for children with a disability under section 125A.76 received on behalf of that child, minus (4) if the pupil receives special instruction and services outside the regular classroom for more than 60 percent of the school day, the amount of general education revenue and referendum equalization aid, excluding portions attributable to district and school administration, district support services, operations and maintenance, capital expenditures, and pupil transportation, attributable to that pupil for the portion of time the pupil receives special instruction and services outside of the regular classroom, calculated using the resident district's average general education revenue and referendum equalization aid per adjusted pupil unit excluding basic skills revenue, elementary sparsity revenue and secondary sparsity revenue and the serving district's basic skills revenue, elementary sparsity revenue and secondary sparsity revenue per adjusted pupil unit. Notwithstanding clauses (1) and (4), for pupils served by a cooperative unit without a fiscal agent school district, the general education revenue and referendum equalization aid attributable to a pupil must be calculated using the resident district's average general education revenue and referendum equalization aid excluding compensatory revenue, elementary sparsity revenue, and secondary sparsity revenue. Special education aid paid to the district or cooperative providing special instruction and services for the pupil must be increased by the amount of the reduction in the aid paid to the resident district. Amounts paid to cooperatives under this subdivision and section 127A.47, subdivision 7, shall be recognized and reported as revenues and expenditures on the resident school district's books of account under sections 123B.75 and 123B.76. If the resident district's special education aid is insufficient to make the full adjustment, the remaining adjustment shall be made to other state aid due to the district.

~~(e)~~ ~~(b)~~ Notwithstanding ~~paragraphs~~ paragraph (a) and (b) and section 127A.47, subdivision 7, paragraphs ~~(b) to (d) and (e)~~, a charter school where more than 30 percent of enrolled students receive special education and related services, a site approved under section 125A.515, an intermediate district, a special education cooperative, or a school district that served as the applicant agency for a group of school districts for federal special education aids for fiscal year 2006 may apply to the commissioner for authority to charge the resident district an additional amount to recover any remaining unreimbursed costs of serving pupils with a disability. The application must include a description of the costs and the calculations used to determine the unreimbursed portion to be charged to the resident district. Amounts approved by the commissioner under this paragraph must be included in the tuition billings or aid adjustments under paragraph (a) ~~or (b)~~, or section 127A.47, subdivision 7, ~~paragraph (d) or (e)~~ paragraphs (b) to (d), as applicable.

~~(d)~~ ~~(c)~~ For purposes of this subdivision and section 127A.47, subdivision 7, paragraphs (d) and (e), "general education revenue and referendum equalization aid" means the sum of the general education revenue according to section 126C.10, subdivision 1, ~~excluding alternative teacher compensation revenue~~, plus the referendum equalization aid according to section 126C.17, subdivision 7, ~~as adjusted according to section 127A.47, subdivision 7, paragraphs (a) to (e)~~.

**EFFECTIVE DATE.** This section is effective for fiscal year 2015 and later.

Sec. 6. Minnesota Statutes 2012, section 125A.27, subdivision 8, is amended to read:

Subd. 8. **Eligibility for Part C.** "Eligibility for Part C" means eligibility for ~~early childhood special education infant and toddler intervention services~~ under section 125A.02 and Minnesota Rules.

Sec. 7. Minnesota Statutes 2012, section 125A.27, subdivision 11, is amended to read:

Subd. 11. **Interagency child find systems.** "Interagency child find systems" means activities developed on an interagency basis with the involvement of interagency early intervention committees and other relevant community groups, including primary referral sources included in Code of Federal Regulations, title 34, section 303.303(c), using rigorous standards to actively seek out, identify, and refer infants and young children, with, or at risk of, disabilities, and their families, including a child to reduce the need for future services. The child find system must mandate referrals for a child under the age of three who: (1) is involved in the subject of a substantiated case of abuse or neglect, or (2) is identified as directly affected by illegal substance abuse, or withdrawal symptoms resulting from prenatal drug exposure, to reduce the need for future services. The referral procedures must specify that a referral must occur within seven calendar days from the date of identification.

Sec. 8. Minnesota Statutes 2012, section 125A.27, subdivision 14, is amended to read:

Subd. 14. **Parent.** "Parent" means ~~the biological parent with parental rights, adoptive parent, legal guardian, or surrogate parent~~ "parent" as defined by Code of Federal Regulations, title 34, section 303.27, or a surrogate parent appointed in accordance with Code of Federal Regulations, title 34, section 303.422, or United States Code, title 20, section 1439(a)(5).

Sec. 9. Minnesota Statutes 2012, section 125A.28, is amended to read:

**125A.28 STATE INTERAGENCY COORDINATING COUNCIL.**

An Interagency Coordinating Council of at least 17, but not more than 25 members is established, in compliance with Public Law 108-446, section 641. The members must be appointed by the governor and reasonably represent the population of Minnesota. Council members must elect the council chair, who may not be a representative of the Department of Education. ~~The representative of the commissioner may not serve as the chair.~~ The council must be



composed of at least five parents, including persons of color, of children with disabilities under age 12, including at least three parents of a child with a disability under age seven, five representatives of public or private providers of services for children with disabilities under age five, including a special education director, county social service director, local Head Start director, and a community health services or public health nursing administrator, one member of the senate, one member of the house of representatives, one representative of teacher preparation programs in early childhood-special education or other preparation programs in early childhood intervention, at least one representative of advocacy organizations for children with disabilities under age five, one physician who cares for young children with special health care needs, one representative each from the commissioners of commerce, education, health, human services, a representative from the state agency responsible for child care, foster care, mental health, homeless coordinator of education of homeless children and youth, and a representative from Indian health services or a tribal council. Section 15.059, subdivisions 2 to 5, apply to the council. The council must meet at least quarterly.

The council must address methods of implementing the state policy of developing and implementing comprehensive, coordinated, multidisciplinary interagency programs of early intervention services for children with disabilities and their families.

The duties of the council include recommending policies to ensure a comprehensive and coordinated system of all state and local agency services for children under age five with disabilities and their families. The policies must address how to incorporate each agency's services into a unified state and local system of multidisciplinary assessment practices, individual intervention plans, comprehensive systems to find children in need of services, methods to improve public awareness, and assistance in determining the role of interagency early intervention committees.

On the date that Minnesota Part C Annual Performance Report is submitted to the federal Office of Special Education, the council must recommend to the governor and the commissioners of education, health, human services, commerce, and employment and economic development policies for a comprehensive and coordinated system.

Annually, the council must prepare and submit a report to the governor and the secretary of the federal Department of Education on the status of early intervention services and programs for infants and toddlers with disabilities and their families under the Individuals with Disabilities Education Act, United States Code, title 20, sections 1471 to 1485 (Part C, Public Law 102-119), as operated in Minnesota. The Minnesota Part C annual performance report may serve as the report.

Notwithstanding any other law to the contrary, the State Interagency Coordinating Council ~~expires on June 30, 2014~~ does not expire unless federal law no longer requires the existence of the council or committee.

Sec. 10. Minnesota Statutes 2012, section 125A.29, is amended to read:

#### **125A.29 RESPONSIBILITIES OF COUNTY BOARDS AND SCHOOL BOARDS.**

(a) It is the joint responsibility of county boards and school boards to coordinate, provide, and pay for appropriate services, and to facilitate payment for services from public and private sources. Appropriate services for children eligible under section 125A.02 must be determined in consultation with parents, physicians, and other educational, medical, health, and human services providers. The services provided must be in conformity with:

(1) an IFSP for each eligible infant and toddler from birth through age two and the infant's or toddler's family including:

(i) American Indian infants and toddlers with disabilities and their families residing on a reservation geographically located in the state;

(ii) infants and toddlers with disabilities who are homeless children and their families; and

(iii) infants and toddlers with disabilities who are wards of the state; or

(2) an individualized education program (IEP) or individual service plan (ISP) for each eligible child ages three through four.

(b) Appropriate early intervention services include ~~family education and counseling, home visits, occupational and physical therapy, speech pathology, audiology, psychological services, special instruction, nursing, respite, nutrition, assistive technology, transportation and related costs, social work, vision services, case management services provided in conformity with an IFSP that are designed to meet the special developmental needs of an eligible child and the needs of the child's family related to enhancing the child's development and that are selected in collaboration with the parent. These services include core early intervention services and additional early intervention services listed in this section and infant and toddler intervention services defined under United States Code, title 20, sections 1431 to 1444, and Code of Federal Regulations, title 34, section 303, including service coordination under section 125A.33, medical services for diagnostic and evaluation purposes, early identification, and screening, assessment, and health services necessary to enable children with disabilities to benefit from early intervention services.~~

(c) School and county boards shall coordinate early intervention services. In the absence of agreements established according to section 125A.39, service responsibilities for children birth through age two are as follows:

(1) school boards must provide, pay for, and facilitate payment for special education and related services required under sections 125A.03 and 125A.06;

(2) county boards must provide, pay for, and facilitate payment for noneducational services of social work, psychology, transportation and related costs, nursing, respite, and nutrition services not required under clause (1).

(d) School and county boards may develop an interagency agreement according to section 125A.39 to establish agency responsibility that assures early intervention services are coordinated, provided, paid for, and that payment is facilitated from public and private sources.

(e) County and school boards must jointly determine the primary agency in this cooperative effort and must notify the commissioner of the state lead agency of their decision.

Sec. 11. Minnesota Statutes 2012, section 125A.30, is amended to read:

#### **125A.30 INTERAGENCY EARLY INTERVENTION COMMITTEES.**

(a) A school district, group of districts, or special education cooperative, in cooperation with the health and human service agencies located in the county or counties in which the district or cooperative is located, must establish an Interagency Early Intervention Committee for children with disabilities under age five and their families under this section, and for children with disabilities ages three to 22 consistent with the requirements under sections 125A.023 and 125A.027. Committees must include representatives of local health, education, and county human service agencies, county boards, school boards, early childhood family education programs, Head Start, parents of young children with disabilities under age 12, child care resource and referral agencies, school readiness programs, current service providers, and agencies that serve families experiencing homelessness, and may also include representatives from other private or public agencies and school nurses. The committee must elect a chair from among its members and must meet at least quarterly.

(b) The committee must develop and implement interagency policies and procedures concerning the following ongoing duties:

(1) develop public awareness systems designed to inform potential recipient families, especially parents with premature infants, or infants with other physical risk factors associated with learning or development complications, of available programs and services;

(2) to reduce families' need for future services, and especially parents with premature infants, or infants with other physical risk factors associated with learning or development complications, implement interagency child find systems designed to actively seek out, identify, and refer infants and young children with, or at risk of, disabilities, including a child under the age of three who: (i) is ~~involved in the subject of~~ a substantiated case of abuse or neglect or (ii) is identified as directly affected by illegal substance abuse, or withdrawal symptoms resulting from prenatal drug exposure;

(3) establish and evaluate the identification, referral, ~~child screening, evaluation, child-~~ and family-directed assessment systems, procedural safeguard process, and community learning systems to recommend, where necessary, alterations and improvements;

(4) assure the development of individualized family service plans for all eligible infants and toddlers with disabilities from birth through age two, and their families, and individualized education programs and individual service plans when necessary to appropriately serve children with disabilities, age three and older, and their families and recommend assignment of financial responsibilities to the appropriate agencies;

(5) implement a process for assuring that services involve cooperating agencies at all steps leading to individualized programs;

(6) facilitate the development of a transitional transition plan if a service provider is not recommended to continue to provide services in the individual family service plan by the time a child is two years and nine months old;

(7) identify the current services and funding being provided within the community for children with disabilities under age five and their families;

(8) develop a plan for the allocation and expenditure of ~~additional state and~~ federal early intervention funds under United States Code, title 20, section 1471 et seq. (Part C, Public Law 108-446) and United States Code, title 20, section 631, et seq. (Chapter I, Public Law 89-313); and

(9) develop a policy that is consistent with section 13.05, subdivision 9, and federal law to enable a member of an interagency early intervention committee to allow another member access to data classified as not public.

(c) The local committee shall also:

~~(1) participate in needs assessments and program planning activities conducted by local social service, health and education agencies for young children with disabilities and their families; and~~

~~(2) review and comment on the early intervention section of the total special education system for the district, the county social service plan, the section or sections of the community health services plan that address needs of and service activities targeted to children with special health care needs, the section on children with special needs in the county child care fund plan, sections in Head Start plans on coordinated planning and services for children with special needs, any relevant portions of early childhood education plans, such as early childhood family education or school readiness, or other applicable coordinated school and community plans for early childhood programs and services, and the section of the maternal and child health special project grants that address needs of and service activities targeted to children with chronic illness and disabilities.~~

Sec. 12. Minnesota Statutes 2012, section 125A.32, is amended to read:

**125A.32 INDIVIDUALIZED FAMILY SERVICE PLAN (IFSP).**

(a) A team must participate in IFSP meetings to develop the IFSP. The team shall include:

(1) a parent or parents of the child, as defined in Code of Federal Regulations, title 34, section 303.27;

(2) other family members, as requested by the parent, if feasible to do so;

(3) an advocate or person outside of the family, if the parent requests that the person participate;

(4) the service coordinator who has been working with the family since the initial referral, or who has been designated by the public agency to be responsible for implementation of the IFSP and coordination with other agencies including transition services; ~~and~~

(5) a person or persons involved in conducting evaluations and assessments; and

(6) as appropriate, persons who will be providing early intervention services under the plan to the child or family.

(b) The IFSP must include:

(1) information about the child's developmental status;

(2) family information, with the consent of the family;

(3) measurable results or major outcomes expected to be achieved by the child with the family's assistance, that include developmentally appropriate preliteracy and language skills for the child, and the criteria, procedures, and timelines;

(4) specific early intervention services based on peer-reviewed research, to the extent practicable, necessary to meet the unique needs of the child and the family to achieve the outcomes;

(5) payment arrangements, if any;

(6) medical and other services that the child needs, but that are not required under the Individual with Disabilities Education Act, United States Code, title 20, section 1471 et seq. (Part C, Public Law 108-446) including funding sources to be used in paying for those services and the steps that will be taken to secure those services through public or private sources;

(7) dates and duration of early intervention services;

(8) name of the service coordinator;

(9) steps to be taken to support a child's transition from early infant and toddler intervention services to other appropriate services, including convening a transition conference at least 90 days or, at the discretion of all parties, not more than nine months before the child is eligible for preschool services; and

(10) ~~signature of the parent and~~ authorized signatures of the agencies responsible for providing, paying for, or facilitating payment, or any combination of these, for early infant and toddler intervention services.

Sec. 13. Minnesota Statutes 2012, section 125A.33, is amended to read:

**125A.33 SERVICE COORDINATION.**

(a) The team responsible for the initial evaluation and the child- and family-directed assessment and for developing the IFSP under section 125A.32, if appropriate, must select a service coordinator to carry out service coordination activities on an interagency basis. Service coordination must actively promote a family's capacity and competency to identify, obtain, coordinate, monitor, and evaluate resources and services to meet the family's needs. Service coordination activities include:

- (1) coordinating the performance of evaluations and assessments;
- (2) facilitating and participating in the development, review, and evaluation of individualized family service plans;
- (3) assisting families in identifying available service providers;
- (4) coordinating and monitoring the delivery of available services;
- (5) informing families of the availability of advocacy services;
- (6) coordinating with medical, health, and other service providers;

(7) facilitating the development of a transition plan to preschool, school, or if appropriate, to other services, at least 90 days before the time the child is no longer eligible for early infant and toddler intervention services or, at the discretion of all parties, not more than nine months prior to the child's eligibility for preschool services third birthday, if appropriate;

(8) managing the early intervention record and submitting additional information to the local primary agency at the time of periodic review and annual evaluations; and

- (9) notifying a local primary agency when disputes between agencies impact service delivery required by an IFSP.

(b) A service coordinator must be knowledgeable about children and families receiving services under this section, requirements of state and federal law, and services available in the interagency early childhood intervention system. The IFSP must include the name of the services coordinator from the profession most relevant to the child's or family's needs or who is otherwise qualified to carry out all applicable responsibilities under the Individuals with Disabilities Education Act, United States Code, title 20, sections 1471 to 1485 (Part C, Public Law 102-119), who will be responsible for implementing the early intervention services identified in the child's IFSP, including transition services, and coordination with other agencies and persons.

Sec. 14. Minnesota Statutes 2012, section 125A.35, subdivision 1, is amended to read:

Subdivision 1. **Lead agency; allocation of resources.** The state lead agency must administer the early intervention account that consists of federal allocations. The Part C state plan must state the amount of federal resources in the early intervention account available for use by local agencies. The state lead agency must distribute the funds to the local primary agency designated by an Interagency Early Intervention Committee based on a formula that includes a December 1 count of the prior year of Part C eligible children for the following purposes:

(1) as provided in Code of Federal Regulations, title 34, part ~~303.425~~ 303.430, to arrange for payment for early intervention services not elsewhere available, or to pay for services during the pendency of a conflict procedure, including mediation, complaints, due process hearings, and interagency disputes; and

(2) to support interagency child find system activities.

Sec. 15. Minnesota Statutes 2012, section 125A.36, is amended to read:

**125A.36 PAYMENT FOR SERVICES.**

Core early intervention services must be provided at public expense with no cost to parents. Parents must be requested to assist in the cost of additional early intervention services by using third-party payment sources ~~and applying for available resources~~. Payment structures permitted under state law must be used to pay for additional early intervention services. Parental financial responsibility must be clearly defined in the IFSP. A parent's inability to pay must not prohibit a child from receiving needed early intervention services.

Sec. 16. Minnesota Statutes 2012, section 125A.43, is amended to read:

**125A.43 MEDIATION PROCEDURE.**

(a) The commissioner, or the commissioner's designee, of the state lead agency must use federal funds to provide mediation for the activities in paragraphs (b) and (c).

(b) A parent may resolve a dispute regarding issues in section 125A.42, paragraph (b), clause (5), through mediation. If the parent chooses mediation, mediation must be voluntary on the part of the parties. The parent and the public agencies must complete the mediation process within 30 calendar days of the date the ~~Office of Dispute Resolution~~ Department of Education receives a parent's written request for mediation unless a district declines mediation. The mediation process may not be used to delay a parent's right to a due process hearing. ~~The resolution of the written, signed mediation agreement is not binding on any party both parties and is enforceable in any state court of competent jurisdiction or in a district court of the United States.~~

(c) Resolution of a dispute through mediation, or other form of alternative dispute resolution, is not limited to formal disputes arising from the objection of a parent or guardian and is not limited to the period following a request for a due process hearing.

(d) The commissioner shall provide training and resources to school districts to facilitate early identification of disputes and access to mediation.

(e) The local primary agency may request mediation on behalf of involved agencies when there are disputes between agencies regarding responsibilities to coordinate, provide, pay for, or facilitate payment for early intervention services.

Sec. 17. Minnesota Statutes 2012, section 125A.76, subdivision 1, is amended to read:

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

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

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

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

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

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

(1) reimbursed with federal funds;

(2) reimbursed with other state aids under this chapter;

(3) for general education costs of serving students with a disability;

(4) for facilities;

(5) for pupil transportation; and

(6) for postemployment benefits.

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

For the Minnesota State Academy for the Deaf and the Minnesota State Academy for the Blind, expenditures are limited to the salary and fringe benefits of one-to-one instructional and behavior management aides assigned to a child attending the academy, if the aides are required by the child's individualized education program.

(h) "Cross subsidy reduction aid percentage" means 1.0 percent for fiscal year 2014 and 4.48 percent for fiscal year 2015.

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

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

**EFFECTIVE DATE.** This section is effective for fiscal year 2014 and later.

Sec. 18. Minnesota Statutes 2012, section 125A.76, is amended by adding a subdivision to read:

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

(1) the lesser of 62 percent of the district's old formula special education expenditures for the prior fiscal year, 50 percent of the district's nonfederal special education expenditures for the prior year, or 56 percent of the product of the sum of the following amounts, computed using prior fiscal year data, and the program growth factor:

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

(A) \$450; plus

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

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

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

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

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

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

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

Sec. 19. Minnesota Statutes 2012, section 125A.76, is amended by adding a subdivision to read:

**Subd. 2b. Cross subsidy reduction aid.** For fiscal years 2014 and 2015, the cross subsidy reduction aid for a school district, not including a charter school, equals the lesser of (a) the product of the cross subsidy reduction aid limit and the district's average daily membership served or (b) the product of the cross subsidy reduction aid percentage, the district's average daily membership served and the sum of:

(1) \$450; plus

(2) \$400 times the ratio of the sum of the number of pupils enrolled on October 1 who are eligible to receive free lunch plus one-half of the pupils enrolled on October 1 who are eligible to receive reduced-price lunch to the total October 1 enrollment; plus

(3) .008 times the district's average daily membership served; plus

(i) \$10,100 times the December 1 child count for the primary disability areas of autism spectrum disorders, developmental delay, and severely multiply impaired; plus

(ii) \$17,500 times the December 1 child count for the primary disability areas of deaf and hard-of-hearing and emotional or behavioral disorders; plus

(iii) \$26,000 times the December 1 child count for the primary disability areas of developmentally cognitive mild-moderate, developmentally cognitive severe-profound, physically impaired, visually impaired, and deafblind.

Sec. 20. Minnesota Statutes 2012, section 125A.76, is amended by adding a subdivision to read:

**Subd. 2c. Special education aid.** (a) For fiscal year 2014 and fiscal year 2015, a district's special education aid equals the sum of the district's special education initial aid under subdivision 2a, the district's cross subsidy reduction aid under subdivision 2b, and the district's excess cost aid under section 125A.79, subdivision 5.



(b) For fiscal year 2016 and later, a district's special education aid equals the sum of the district's special education initial aid under subdivision 2a and the district's excess cost aid under section 125A.79, subdivision 5.

(c) Notwithstanding paragraph (b), for fiscal year 2016, the special education aid for a school district must not exceed the sum of the special education aid the district would have received for fiscal year 2016 under Minnesota Statutes 2012, sections 125A.76 and 125A.79, as adjusted according to Minnesota Statutes 2012, sections 125A.11 and 127A.47, subdivision 7, and the product of the district's average daily membership served and the special education aid increase limit.

(d) Notwithstanding paragraph (b), for fiscal year 2017 and later, the special education aid for a school district must not exceed the sum of: (i) the product of the district's average daily membership served and the special education aid increase limit and (ii) the product of the sum of the special education aid the district would have received for fiscal year 2016 under Minnesota Statutes 2012, sections 125A.76 and 125A.79, as adjusted according to Minnesota Statutes 2012, sections 125A.11 and 127A.47, subdivision 7, the ratio of the district's average daily membership served for the current fiscal year to the district's average daily membership served for fiscal year 2016, and the program growth factor.

(e) Notwithstanding paragraph (b), for fiscal year 2016 and later the special education aid for a school district, not including a charter school, must not be less than the lesser of (1) the district's nonfederal special education expenditures for that fiscal year or (2) the product of the sum of the special education aid the district would have received for fiscal year 2016 under Minnesota Statutes 2012, sections 125A.76 and 125A.79, as adjusted according to Minnesota Statutes 2012, sections 125A.11 and 127A.47, subdivision 7, the ratio of the district's adjusted daily membership for the current fiscal year to the district's average daily membership for fiscal year 2016, and the program growth factor.

**EFFECTIVE DATE.** This section is effective for fiscal year 2014 and later.

Sec. 21. Minnesota Statutes 2012, section 125A.76, is amended by adding a subdivision to read:

Subd. 2d. **Statewide average expenditure.** By January 15 of each year, the department must calculate the statewide average special education expenditure per December 1 child count for the prior fiscal year by primary disability area and provide that information to all districts. By January 15 of each odd-numbered year, the commissioner must identify options for aligning the assignment of disability areas to the categories and the rates for each category in subdivision 2a, clause (1), with the latest expenditure data and submit these options to the legislative committees with jurisdiction over education finance.

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

Sec. 22. Minnesota Statutes 2012, section 125A.76, subdivision 4a, is amended to read:

Subd. 4a. **Adjustments for tuition reciprocity with adjoining states.** (a) If an agreement is reached between the state of Minnesota and an adjoining state pursuant to section 124D.041 that requires a special education tuition payment from the state of Minnesota to the adjoining state, the tuition payment shall be made from the special education aid appropriation for that year, and the state total special education aid under subdivision 4 shall be reduced by the amount of the payment.

(b) If an agreement is reached between the state of Minnesota and an adjoining state pursuant to section 124D.041 that requires a special education tuition payment from an adjoining state to the state of Minnesota, the special education aid appropriation for that year and the state total special education aid under subdivision 4 shall be increased by the amount of the payment.

(e) (b) If an agreement is reached between the state of Minnesota and an adjoining state pursuant to section 124D.041 that requires special education tuition payments to be made between the two states and not between districts in the two states, the special education aid for a Minnesota school district serving a student with a disability from the adjoining state shall be calculated according to section 127A.47, subdivision 7, except that no reduction shall be made in the special education aid paid to the resident district.

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

Sec. 23. Minnesota Statutes 2012, section 125A.76, subdivision 8, is amended to read:

Subd. 8. **Special education forecast maintenance of effort.** (a) If, on the basis of a forecast of general fund revenues and expenditures under section 16A.103, the state's expenditures for special education and related services for children with disabilities from nonfederal sources for a fiscal year, including special education aid under ~~section 125A.76; special education excess cost aid under section 125A.76, subdivision 7~~ subdivision 2c; travel for home-based services under section 125A.75, subdivision 1; aid for students with disabilities under section 125A.75, subdivision 3; court-placed special education under section 125A.79, subdivision 4; out-of-state tuition under section 125A.79, subdivision 8; and direct expenditures by state agencies are projected to be less than the amount required to meet federal special education maintenance of effort, the reimbursement percentages for excess cost aid under section 125A.79, subdivision 5, must be increased as required to ensure that the additional amount required to meet federal special education maintenance of effort is added to the state total special education aid in ~~section 125A.76, subdivision 4~~ 2c.

(b) If, on the basis of a forecast of general fund revenues and expenditures under section 16A.103, expenditures in the programs in paragraph (a) are projected to be greater than previously forecast for an enacted budget, and an addition to state total special education aid has been made under paragraph (a), the state total special education aid must be reduced by the lesser of the amount of the expenditure increase or the amount previously added to state total special education aid in ~~section 125A.76, subdivision 4~~ 2c.

(c) For the purpose of this section, "previously forecast for an enacted budget" means the allocation of funding for these programs in the most recent forecast of general fund revenues and expenditures or the act appropriating money for these programs, whichever occurred most recently. It does not include planning estimates for a future biennium.

(d) If the amount of special education aid is adjusted in accordance with this subdivision, the commissioner of education shall notify the chairs of the legislative committees having jurisdiction over kindergarten through grade 12 education regarding the amount of the adjustment and provide an explanation of the federal maintenance of effort requirements.

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

Sec. 24. Minnesota Statutes 2012, section 125A.78, subdivision 2, is amended to read:

Subd. 2. **Initial aid adjustment.** For the fiscal year after approval of a district's application, and thereafter, the special education ~~initial~~ aid under section 125A.76, ~~subdivision 1~~, must be computed based on activities defined as reimbursable under Department of Education rules for special education and nonspecial education students, and additional activities as detailed and approved by the commissioner.

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

Sec. 25. Minnesota Statutes 2012, section 125A.79, subdivision 1, is amended to read:

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

(a) "Unreimbursed old formula special education cost expenditures" means ~~the sum of the following:~~

(1) ~~old formula special education expenditures for teachers' salaries, contracted services, supplies, equipment, and transportation services eligible for revenue under section 125A.76 the prior fiscal year; plus minus~~

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

(3) ~~revenue for teachers' salaries, contracted services, supplies, equipment, and transportation services (2) special education initial aid under section 125A.76; , subdivision 2a; minus~~

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

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

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

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

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

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

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

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

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

Sec. 26. Minnesota Statutes 2012, section 125A.79, subdivision 5, is amended to read:

Subd. 5. **Initial excess cost aid.** For fiscal years ~~2008~~ 2016 and later, a district's initial excess cost aid equals the greater of:

(1) ~~75~~ 56 percent of the difference between (i) the district's unreimbursed nonfederal special education ~~cost expenditures~~ and (ii) ~~4.36~~ 7.0 percent of the district's general revenue; ~~or~~

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

(2) (3) zero.

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

Sec. 27. Minnesota Statutes 2012, section 125A.79, subdivision 8, is amended to read:

Subd. 8. **Out-of-state tuition.** For children who are residents of the state, receive services under section 125A.76, subdivisions 1 and 2, and are placed in a care and treatment facility by court action in a state that does not have a reciprocity agreement with the commissioner under section 125A.155, the resident school district shall submit the balance of the tuition bills, minus the general education revenue, excluding basic skills revenue ~~and alternative teacher compensation revenue~~, and referendum equalization aid attributable to the pupil, calculated using the resident district's average general education revenue and referendum equalization aid per adjusted pupil unit minus the special education contracted services initial revenue attributable to the pupil.

**EFFECTIVE DATE.** This section is effective for fiscal year 2015 and later.

Sec. 28. **SPECIAL EDUCATION CASE LOADS TASK FORCE.**

Subdivision 1. **Members.** The commissioner shall establish and appoint a special education case loads task force consisting of at least ten members who will provide equal representation from school districts, including special education teachers, and advocacy organizations, including parents of children with disabilities.

Subd. 2. **Duties.** The special education case loads task force shall develop recommendations for the appropriate numbers of students with disabilities that may be assigned to a teacher both with and without paraprofessional support in the classroom and for cost-effective and efficient strategies and structures for improving student outcomes. The task force must also identify state rules that should be revised to align with state statute.

Subd. 3. **Report.** The task force must submit a report by February 15, 2014, to the education policy and finance committees of the legislature recommending appropriate case loads for teachers of school-age children in all federal settings, including educational service alternatives and proposed state rule revisions.

Subd. 4. **Expiration.** The task force expires February 16, 2014.

Sec. 29. **RULEMAKING AUTHORITY.**

The commissioner of education shall use the expedited rulemaking process in Minnesota Statutes, section 14.389, to amend Minnesota Rules related to providing special education under Part C of the Individuals with Disabilities Education Act. The commissioner shall amend the rules to conform to new federal regulations in Code of Federal Regulations, title 34, part 303, including definitions of and procedures for evaluation and assessment, including assessment of the child and family, initial evaluation and assessment, the use of native language, the use of informed clinical opinion as an independent basis to establish eligibility, and transition of a toddler from Part C consistent with Code of Federal Regulations, title 34, sections 303.24, 303.25, and 303.321, only to the extent necessary to avoid loss of federal funds. The authority to use the expedited process to amend rules specified in this section expires July 1, 2014. Rule amendments adopted under the expedited process before that date remain in effect unless further amended under the rulemaking procedures in Minnesota Statutes, chapter 14.

Sec. 30. **REPORT ON HOMELESS CHILDREN SERVED.**

The commissioner of education must collect statistics on the number of homeless children who have received Part C services and must annually report those results to the legislature by July 1.

**EFFECTIVE DATE.** This section is effective July 1, 2013.

Sec. 31. **APPROPRIATIONS.**

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

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

<u>\$997,725,000</u>	<u>.....</u>	<u>2014</u>
<u>\$1,108,211,000</u>	<u>.....</u>	<u>2015</u>

The 2014 appropriation includes \$118,232,000 for 2013 and \$802,884,000 for 2014.

The 2015 appropriation includes \$169,929,000 for 2014 and \$938,282,000 for 2015.

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

<u>\$1,655,000</u>	<u>.....</u>	<u>2014</u>
<u>\$1,752,000</u>	<u>.....</u>	<u>2015</u>

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

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

<u>\$345,000</u>	<u>.....</u>	<u>2014</u>
<u>\$355,000</u>	<u>.....</u>	<u>2015</u>

The 2014 appropriation includes \$45,000 for 2013 and \$300,000 for 2014.

The 2015 appropriation includes \$47,000 for 2014 and \$308,000 for 2015.

Subd. 5. **Special education; excess costs.** For excess cost aid under Minnesota Statutes, section 125A.79, subdivision 7:

<u>\$42,030,000</u>	<u>.....</u>	<u>2014</u>
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The 2014 appropriation includes \$42,030,000 for 2013 and \$0 for 2014.

Subd. 6. **Court-placed special education revenue.** For reimbursing serving school districts for unreimbursed eligible expenditures attributable to children placed in the serving school district by court action under Minnesota Statutes, section 125A.79, subdivision 4:

<u>\$54,000</u>	.....	<u>2014</u>
<u>\$55,000</u>	.....	<u>2015</u>

Subd. 7. **Special education out-of-state tuition.** For special education out-of-state tuition according to Minnesota Statutes, section 125A.79, subdivision 8:

<u>\$250,000</u>	.....	<u>2014</u>
<u>\$250,000</u>	.....	<u>2015</u>

Subd. 8. **Special education paperwork cost savings.** For special education paperwork cost savings:

<u>\$1,763,000</u>	.....	<u>2014</u>
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For a transfer to MNIT. This appropriation is available in fiscal year 2015 if not expended.

Sec. 32. **REPEALER.**

Minnesota Statutes 2012, sections 124D.454, subdivisions 3, 10, and 11; 125A.35, subdivisions 4 and 5; 125A.76, subdivisions 2, 4, 5, and 7; and 125A.79, subdivisions 6 and 7, are repealed for fiscal year 2016 and later.

## ARTICLE 6 FACILITIES AND TECHNOLOGY

Section 1. Minnesota Statutes 2012, section 123B.53, subdivision 5, is amended to read:

Subd. 5. **Equalized debt service levy.** (a) The equalized debt service levy of a district equals the sum of the first tier equalized debt service levy and the second tier equalized debt service levy.

(b) A district's first tier equalized debt service levy equals the district's first tier debt service equalization revenue times the lesser of one or the ratio of:

(1) the quotient derived by dividing the adjusted net tax capacity of the district for the year before the year the levy is certified by the adjusted pupil units in the district for the school year ending in the year prior to the year the levy is certified; to

(2) ~~\$3,049~~ \$3,550.

(c) A district's second tier equalized debt service levy equals the district's second tier debt service equalization revenue times the lesser of one or the ratio of:

(1) the quotient derived by dividing the adjusted net tax capacity of the district for the year before the year the levy is certified by the adjusted pupil units in the district for the school year ending in the year prior to the year the levy is certified; to

(2) ~~\$7,622~~ \$7,900.

**EFFECTIVE DATE.** This section is effective for revenue in fiscal year 2015 and later.

Sec. 2. Minnesota Statutes 2012, section 123B.54, is amended to read:

### **123B.54 DEBT SERVICE APPROPRIATION.**

(a) ~~\$21,727,000 in fiscal year 2014 and \$24,201,000 in fiscal year 2015 and later are~~ The amount necessary to make debt service equalization aid payments under section 123B.53 is annually appropriated from the general fund to the commissioner of education for payment of debt service equalization aid under section 123B.53.

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

Sec. 3. Minnesota Statutes 2012, section 123B.57, subdivision 4, is amended to read:

Subd. 4. **Health and safety levy.** To receive health and safety revenue, a district may levy an amount equal to the district's health and safety revenue as defined in subdivision 3 multiplied by the lesser of one, or the ratio of the quotient derived by dividing the adjusted net tax capacity of the district for the year preceding the year the levy is certified by the adjusted ~~marginal-cost~~ pupil units in the district for the school year to which the levy is attributable, to ~~\$2,796~~ \$3,165.

**EFFECTIVE DATE.** This section is effective for revenue for fiscal year 2015 and later.

Sec. 4. Minnesota Statutes 2012, section 123B.591, subdivision 2, is amended to read:

Subd. 2. **Deferred maintenance revenue.** The deferred maintenance revenue for an eligible school district equals the product of ~~\$60~~ \$64 times the adjusted ~~marginal-cost~~ pupil units for the school year times the lesser of one or the ratio of the district's average age of building space to 35 years.

**EFFECTIVE DATE.** This section is effective for revenue for fiscal year 2015 and later.

Sec. 5. Minnesota Statutes 2012, section 123B.591, subdivision 3, is amended to read:

Subd. 3. **Deferred maintenance levy.** To obtain deferred maintenance revenue ~~for fiscal year 2008 and later~~, a district may levy an amount not more than the product of its deferred maintenance revenue for the fiscal year times the lesser of one or the ratio of its adjusted net tax capacity per adjusted ~~marginal-cost~~ pupil unit to ~~\$5,624~~ \$5,965.

**EFFECTIVE DATE.** This section is effective for revenue for fiscal year 2015 and later.

Sec. 6. Minnesota Statutes 2012, section 125B.26, subdivision 4, is amended to read:

Subd. 4. **District aid.** For fiscal year 2006 and later, a district, charter school, or intermediate school district's Internet access equity aid equals the district, charter school, or intermediate school district's approved cost for the previous fiscal year according to subdivision 1 exceeding ~~\$15~~ \$16 times the district's adjusted ~~marginal-cost~~ pupil units for the previous fiscal year or no reduction if the district is part of an organized telecommunications access cluster. Equity aid must be distributed to the telecommunications access cluster for districts, charter schools, or intermediate school districts that are members of the cluster or to individual districts, charter schools, or intermediate school districts not part of a telecommunications access cluster.

**EFFECTIVE DATE.** This section is effective for revenue for fiscal year 2015 and later.

Sec. 7. Minnesota Statutes 2012, section 128D.11, subdivision 3, is amended to read:

Subd. 3. **No election.** Subject to the provisions of subdivisions 7 to 10, the school district may also by a two-thirds majority vote of all the members of its board of education and without any election by the voters of the district, issue and sell in each calendar year general obligation bonds of the district in an amount not to exceed 5-1/10 per cent of the net tax capacity of the taxable property in the district (plus, for calendar years 1990 to 2003, an amount not to exceed \$7,500,000, and for calendar ~~years year 2004 to 2016~~ and later, an amount not to exceed \$15,000,000; with an additional provision that any amount of bonds so authorized for sale in a specific year and not sold can be carried forward and sold in the year immediately following).

**EFFECTIVE DATE.** This section is effective July 1, 2013.

Sec. 8. Laws 2007, chapter 146, article 4, section 12, is amended to read:

Sec. 12. **BONDING AUTHORIZATION.**

To provide funds for the acquisition or betterment of school facilities, Independent School District No. 625, St. Paul, may by two-thirds majority vote of all the members of the board of directors issue general obligation bonds in one or more series ~~for calendar years 2008 through 2016~~, as provided in this section. The aggregate principal amount of any bonds issued under this section for each calendar year must not exceed \$15,000,000. Issuance of the bonds is not subject to Minnesota Statutes, section 475.58 or 475.59. The bonds must otherwise be issued as provided in Minnesota Statutes, chapter 475. The authority to issue bonds under this section is in addition to any bonding authority authorized by Minnesota Statutes, chapter 123B, or other law. The amount of bonding authority authorized under this section must be disregarded in calculating the bonding limit of Minnesota Statutes, chapter 123B, or any other law other than Minnesota Statutes, section 475.53, subdivision 4.

**EFFECTIVE DATE.** This section is effective July 1, 2013.

Sec. 9. **SCHOOL FACILITIES FINANCING WORK GROUP.**

The commissioner of education must convene a working group to develop recommendations for reforming the financing of prekindergarten through grade 12 education facilities to create adequate, equitable, and sustainable financing of public school facilities throughout the state. Membership on the working group must include representatives of school superintendents, business managers, school facilities directors, and school boards. The scope of the working group recommendations must include funding options for facilities projects currently financed with debt service, alternative facilities, deferred maintenance, health and safety, building lease, and operating capital revenues. The commissioner, on behalf of the working group, must submit a report to the chairs and ranking minority members of the legislative committees and divisions with primary jurisdiction over kindergarten through grade 12 education finance by February 1, 2014, recommending how best to allocate funds for school facilities.

Sec. 10. **CYRUS AND MORRIS SCHOOL DISTRICT CONSOLIDATION.**

Subdivision 1. **Purpose.** The legislature finds that an orderly, voluntary consolidation of Independent School Districts Nos. 611, Cyrus, and 769, Morris, promotes the well-being of the students and increases educational efficiency in those school districts.

Subd. 2. **Remediation costs.** Independent School District No. 611, Cyrus, may identify all health and safety remediation costs related to the demolition of the Cyrus school building and submit those amounts to the commissioner of education for approval. Any approved costs may be included either in the district's health and safety plan or in the bonding authority authorized under subdivision 3.

Subd. 3. **Facility bonds.** Independent School District No. 611, Cyrus, may issue general obligation bonds without an election under Minnesota Statutes, chapter 475, after a public meeting of the school board with notice given by mail according to Minnesota Statutes, section 123B.09, subdivision 11, in an amount not to exceed \$1,000,000 approved by the commissioner of education for the costs associated with demolishing the Cyrus school building. The bonds must be repaid within ten years of issuance. Any excess bond proceeds after bonds are repaid must be credited back to the taxpayers of the former Independent School District No. 611, Cyrus.

Subd. 4. **Reorganization operating debt determined.** Independent School District No. 611, Cyrus, must estimate its reorganization operating debt according to Minnesota Statutes, section 123B.82, and submit that amount to the commissioner of education for approval.



Subd. 5. **Reorganization operating debt bonds.** Independent School District No. 611, Cyrus, may issue general obligation bonds without an election under Minnesota Statutes, chapter 475, after a public meeting of the school board with notice given by mail according to Minnesota Statutes, section 123B.09, subdivision 11, in an amount not to exceed the reorganization operating debt approved by the commissioner of education under subdivision 4. The bonds must be repaid within six years of issuance.

Subd. 6. **Repayment.** The bonded debt issued under this section remains payable by the taxable property located within the boundaries of former Independent School District No. 611, Cyrus.

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

Sec. 11. **ELEVATOR REPAIR LEVY; NORMAN COUNTY WEST SCHOOL DISTRICT.**

For taxes payable in 2015 and 2016, Independent School District No. 2527, Norman County West, may levy for an amount not to exceed \$27,500 in each year. The proceeds of this levy must be used to refurbish an existing elevator with new electrical and mechanical components.

**EFFECTIVE DATE.** This section is effective for taxes payable in 2015 and 2016.

Sec. 12. **APPROPRIATIONS.**

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

Subd. 2. **Health and safety revenue.** For health and safety aid according to Minnesota Statutes, section 123B.57, subdivision 5:

<u>\$463,000</u>	.....	<u>2014</u>
<u>\$434,000</u>	.....	<u>2015</u>

The 2014 appropriation includes \$26,000 for 2013 and \$437,000 for 2014.

The 2015 appropriation includes \$68,000 for 2014 and \$366,000 for 2015.

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

<u>\$19,083,000</u>	.....	<u>2014</u>
<u>\$25,060,000</u>	.....	<u>2015</u>

The 2014 appropriation includes \$2,397,000 for 2013 and \$16,686,000 for 2014.

The 2015 appropriation includes \$2,626,000 for 2014 and \$22,434,000 for 2015.

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

<u>\$19,287,000</u>	.....	<u>2014</u>
<u>\$19,287,000</u>	.....	<u>2015</u>

The 2014 appropriation includes \$2,623,000 for 2013 and \$16,664,000 for 2014.

The 2015 appropriation includes \$2,623,000 for 2014 and \$16,664,000 for 2015.

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

<u>\$3,750,000</u>	<u>.....</u>	<u>2014</u>
<u>\$3,750,000</u>	<u>.....</u>	<u>2015</u>

If the appropriation amount is insufficient, the commissioner shall reduce the reimbursement rate in Minnesota Statutes, section 125B.26, subdivisions 4 and 5, and the revenue for fiscal years 2014 and 2015 shall be prorated.

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

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

<u>\$3,564,000</u>	<u>.....</u>	<u>2014</u>
<u>\$3,730,000</u>	<u>.....</u>	<u>2015</u>

The 2014 appropriation includes \$456,000 for 2013 and \$3,108,000 for 2014.

The 2015 appropriation includes \$489,000 for 2014 and \$3,241,000 for 2015.

## ARTICLE 7 NUTRITION, LIBRARIES, AND ACCOUNTING

Section 1. Minnesota Statutes 2012, section 123B.75, subdivision 5, is amended to read:

Subd. 5. **Levy recognition.** (a) ~~For fiscal years 2009 and 2010, in June of each year, the school district must recognize as revenue, in the fund for which the levy was made, the lesser of:~~

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

~~(2) the sum of:~~

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

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

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

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

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

(2) the sum of:

(i) the greater of 48.6 percent of the referendum levy certified according to section 126C.17 in the prior calendar year, or 31 percent of the referendum levy certified according to section 126C.17 in calendar year 2000; plus

(ii) the entire amount of the levy certified in the prior calendar year according to section 124D.4531, 124D.86, subdivision 4, for school districts receiving revenue under sections 124D.86, subdivision 3, clauses (1), (2), and (3); 124D.862, for Special School District No. 1, Minneapolis, Independent School District No. 625, St. Paul, and Independent School District No. 709, Duluth; 126C.41, subdivisions 1, 2, paragraph (a), and 3, paragraphs (b), (c), and (d); 126C.43, subdivision 2; and 126C.48, subdivision 6; plus

(iii) 48.6 percent of the amount of the levy certified in the prior calendar year for the school district's general and community service funds, plus or minus auditor's adjustments, that remains after subtracting the referendum levy certified according to section 126C.17 and the amount recognized according to item (ii).

Sec. 2. Minnesota Statutes 2012, section 124D.111, subdivision 1, is amended to read:

Subdivision 1. **School lunch aid computation.** Each school year, the state must pay participants in the national school lunch program the amount of ~~42~~ 12.5 cents for each full paid, ~~reduced~~ reduced-price, and free student lunch served to students.

**EFFECTIVE DATE.** This section is effective July 1, 2013.

Sec. 3. Minnesota Statutes 2012, section 124D.119, is amended to read:

**124D.119 SUMMER FOOD SERVICE REPLACEMENT AID.**

States funds are available to compensate department-approved summer food program sponsors ~~for reduced federal operating reimbursement rates under Public Law 104 193, the federal summer food service program. A sponsor is eligible for summer food service replacement aid equal to the sum of the following amounts:~~ Reimbursement shall be made on December 15 based on total meals served by each sponsor from the end of the school year to the beginning of the next school year on a pro rata basis.

~~(1) for breakfast service, up to four cents per breakfast served by the sponsor during the current program year;~~

~~(2) for lunch or supper service, up to 14 cents per lunch or supper served by the sponsor during the current program year; and~~

~~(3) for supplement service, up to ten cents per supplement served by the sponsor during the current program year.~~

Sec. 4. Minnesota Statutes 2012, section 127A.45, subdivision 12a, is amended to read:

Subd. 12a. **Forward shifted aid payments.** ~~(a) Nineteen percent of the state aid in fiscal year 1999, and 31 percent of the state aid in fiscal years 2000 and later received under section 124D.86 must be paid by the state to the recipient school district on July 15 of that year. The recipient school district must recognize this aid in the same fiscal year as the levy is recognized.~~

~~(b)~~ One hundred percent of the state aid in fiscal years 2003 and later received under section 124D.87 must be paid by the state to the recipient school district on August 30 of that year. The recipient school district must recognize this aid in the previous fiscal year.

Sec. 5. Minnesota Statutes 2012, section 127A.45, subdivision 13, is amended to read:

Subd. 13. **Aid payment percentage.** Except as provided in subdivisions 11, 12, 12a, and 14, each fiscal year, all education aids and credits in this chapter and chapters 120A, 120B, 121A, 122A, 123A, 123B, 124D, 125A, 125B, 126C, 134, and section 273.1392, shall be paid at the current year aid payment percentage of the estimated entitlement during the fiscal year of the entitlement. For the purposes of this subdivision, a district's estimated entitlement for special education ~~excess cost~~ aid under section ~~125A.79~~ 125A.76 for fiscal year ~~2006~~ 2014 and later equals ~~74.0~~ 97.4 percent of the district's entitlement for the current fiscal year. The final adjustment payment, according to subdivision 9, must be the amount of the actual entitlement, after adjustment for actual data, minus the payments made during the fiscal year of the entitlement.

Sec. 6. Minnesota Statutes 2012, section 134.32, is amended to read:

**134.32 GRANT AUTHORIZATION; TYPES OF GRANTS AND AID.**

Subdivision 1. **Provision of grants.** The department shall provide the grants and aid specified in this section from any available state, federal, or other funds.

Subd. 3. **Regional library basic system support grants aid.** It shall provide regional library basic system support ~~grants aid~~ to regional public library systems which meet the requirements of section 134.34, to assist those systems in providing basic system services.

Subd. 4. **Special project grants.** It may provide special project grants to assist innovative and experimental library programs including, but not limited to, special services for American Indians and the Spanish-speaking, delivery of library materials to homebound persons, other extensions of library services to persons without access to libraries and projects to strengthen and improve library services.

Subd. 5. **Interlibrary exchange grants.** It may provide grants for interlibrary exchange of books, periodicals, resource material, reference information and the expenses incident to the sharing of library resources and materials, including planning, development and operating grants to multicounty, multitype library systems.

Subd. 6. **Library service grants.** It may provide grants for the improvement of library services at welfare and corrections institutions and for library service for the blind and physically disabled.

Subd. 7. **Construction or remodeling grants.** It may provide grants for construction or remodeling of library facilities from any state and federal funds specifically appropriated for this purpose.

Subd. 8. **Rulemaking.** (a) The commissioner shall promulgate rules consistent with sections 134.32 to 134.355 governing:

(1) applications for these grants and aid;

(2) computation formulas for determining the amounts of establishment grants and regional library basic system support ~~grants aid~~; and

(3) eligibility criteria for grants and aid.

(b) To the extent allowed under federal law, a construction grant applicant, in addition to the points received under Minnesota Rules, part 3530.2632, shall receive an additional five points if the construction grant is for a project combining public library services and school district library services at a single location.

Sec. 7. Minnesota Statutes 2012, section 134.34, is amended to read:

**134.34 REGIONAL LIBRARY BASIC SYSTEM SUPPORT GRANTS AID; REQUIREMENTS.**

Subdivision 1. **Local support levels.** (a) ~~A~~ Regional library basic system support ~~grant aid~~ shall be ~~made~~ provided to any regional public library system where there are at least three participating counties and where each participating city and county is providing for public library service support the lesser of (a) an amount equivalent to .82 percent of the average of the adjusted net tax capacity of the taxable property of that city or county, as determined by the commissioner of revenue for the second, third, and fourth year preceding that calendar year or (b) a per capita amount calculated under the provisions of this subdivision. The per capita amount is established for calendar year 1993 as \$7.62. In succeeding calendar years, the per capita amount shall be increased by a percentage equal to one-half of the percentage by which the total state adjusted net tax capacity of property as determined by the commissioner of revenue for the second year preceding that calendar year increases over that total adjusted net tax capacity for the third year preceding that calendar year.

(b) The minimum level of support specified under this subdivision or subdivision 4 shall be certified annually to the participating cities and counties by the Department of Education. If a city or county chooses to reduce its local support in accordance with subdivision 4, paragraph (b) or (c), it shall notify its regional public library system. The regional public library system shall notify the Department of Education that a revised certification is required. The revised minimum level of support shall be certified to the city or county by the Department of Education.

(c) A city which is a part of a regional public library system shall not be required to provide this level of support if the property of that city is already taxable by the county for the support of that regional public library system. In no event shall the Department of Education require any city or county to provide a higher level of support than the level of support specified in this section in order for a system to qualify for a regional library basic system support ~~grant aid~~. This section shall not be construed to prohibit a city or county from providing a higher level of support for public libraries than the level of support specified in this section.

Subd. 3. **Regional designation.** Regional library basic system support ~~grants aid~~ shall be ~~made~~ provided only to those regional public library systems officially designated by the commissioner of education as the appropriate agency to strengthen, improve and promote public library services in the participating areas. The commissioner of education shall designate no more than one such regional public library system located entirely within any single development region existing under sections 462.381 to 462.398 or chapter 473.

Subd. 4. **Limitation.** (a) For calendar year 2010 and later, ~~a~~ regional library basic system support ~~grant aid~~ shall not be ~~made~~ provided to a regional public library system for a participating city or county which decreases the dollar amount provided for support for operating purposes of public library service below the amount provided by it for the second, or third preceding year, whichever is less. For purposes of this subdivision and subdivision 1, any funds provided under section 473.757, subdivision 2, for extending library hours of operation shall not be considered amounts provided by a city or county for support for operating purposes of public library service. This subdivision shall not apply to participating cities or counties where the adjusted net tax capacity of that city or county has decreased, if the dollar amount of the reduction in support is not greater than the dollar amount by which support would be decreased if the reduction in support were made in direct proportion to the decrease in adjusted net tax capacity.

(b) For calendar year 2009 and later, in any calendar year in which a city's or county's aid under sections 477A.011 to 477A.014 or credit reimbursement under section 273.1384 is reduced after the city or county has certified its levy payable in that year, it may reduce its local support by the lesser of:

(1) ten percent; or

(2) a percent equal to the ratio of the aid and credit reimbursement reductions to the city's or county's revenue base, based on aids certified for the current calendar year. For calendar year 2009 only, the reduction under this paragraph shall be based on 2008 aid and credit reimbursement reductions under the December 2008 unallotment, as well as any aid and credit reimbursement reductions in calendar year 2009. For pay 2009 only, the commissioner of revenue will calculate the reductions under this paragraph and certify them to the commissioner of education within 15 days of May 17, 2009.

(c) For taxes payable in 2010 and later, in any payable year in which the total amounts certified for city or county aids under sections 477A.011 to 477A.014 are less than the total amounts paid under those sections in the previous calendar year, a city or county may reduce its local support by the lesser of:

(1) ten percent; or

(2) a percent equal to the ratio of:

(i) the difference between (A) the sum of the aid it was paid under sections 477A.011 to 477A.014 and the credit reimbursement it received under section 273.1384 in the previous calendar year and (B) the sum of the aid it is certified to be paid in the current calendar year under sections 477A.011 to 477A.014 and the credit reimbursement estimated to be paid under section 273.1384; to

(ii) its revenue base for the previous year, based on aids actually paid in the previous calendar year. The commissioner of revenue shall calculate the percent aid cut for each county and city under this paragraph and certify the percentage cuts to the commissioner of education by August 1 of the year prior to the year in which the reduced aids and credit reimbursements are to be paid. The percentage of reduction related to reductions to credit reimbursements under section 273.1384 shall be based on the best estimation available as of July 30.

(d) Notwithstanding paragraph (a), (b), or (c), no city or county shall reduce its support for public libraries below the minimum level specified in subdivision 1.

(e) For purposes of this subdivision, "revenue base" means the sum of:

(1) its levy for taxes payable in the current calendar year, including the levy on the fiscal disparities distribution under section 276A.06, subdivision 3, paragraph (a), or 473F.08, subdivision 3, paragraph (a);

(2) its aid under sections 477A.011 to 477A.014 in the current calendar year; and

(3) its taconite aid in the current calendar year under sections 298.28 and 298.282.

Subd. 7. **Proposed budget.** In addition to the annual report required in section 134.13, a regional public system that receives a basic system support ~~grant aid~~ grant aid under this section must provide each participating county and city with its proposed budget for the next year.

Sec. 8. Minnesota Statutes 2012, section 134.351, subdivision 3, is amended to read:

Subd. 3. **Agreement.** In order for a multicounty, multitype library system to qualify for a planning, development or operating ~~grant aid~~ grant aid pursuant to sections 134.353 and 134.354, each participating library in the system shall adopt an organizational agreement providing for the following:

(a) Sharing of resources among all participating libraries;

(b) Long-range planning for cooperative programs;

- (c) The development of a delivery system for services and programs;
- (d) The development of a bibliographic database; and
- (e) A communications system among all cooperating libraries.

Sec. 9. Minnesota Statutes 2012, section 134.351, subdivision 7, is amended to read:

Subd. 7. **Reports.** Each multicounty, multitype system receiving a ~~grant~~ aid pursuant to section 134.353 or 134.354 shall provide an annual progress report to the Department of Education.

Sec. 10. Minnesota Statutes 2012, section 134.353, is amended to read:

**134.353 MULTICOUNTY, MULTITYPE LIBRARY SYSTEM DEVELOPMENT ~~GRANT~~ AID.**

The commissioner of education may provide development ~~grants~~ aid to multicounty, multitype library systems. In awarding a development ~~grant~~ aid, the commissioner shall consider the extra costs incurred in systems located in sparsely populated and large geographic regions.

Sec. 11. Minnesota Statutes 2012, section 134.354, is amended to read:

**134.354 MULTICOUNTY, MULTITYPE LIBRARY SYSTEM OPERATING ~~GRANT~~ AID.**

The commissioner of education may provide operating ~~grants~~ aid to multicounty, multitype library systems. In awarding an operating ~~grant~~ aid, the commissioner shall consider the extra costs incurred in systems located in sparsely populated and large geographic areas.

Sec. 12. Minnesota Statutes 2012, section 134.355, subdivision 1, is amended to read:

Subdivision 1. **Appropriations.** Basic system support ~~grants~~ aid and regional library telecommunications aid provide the appropriations for the basic regional library system.

Sec. 13. Minnesota Statutes 2012, section 134.355, subdivision 2, is amended to read:

Subd. 2. **Grant application.** Any regional public library system which qualifies according to the provisions of section 134.34 may apply for an ~~annual grant~~ aid for regional library basic system support. Regional public library districts under section 134.201 may not compensate board members using ~~grant~~ aid funds. The amount of ~~each grant~~ aid for each fiscal year shall be calculated as provided in this section.

Sec. 14. Minnesota Statutes 2012, section 134.355, subdivision 3, is amended to read:

Subd. 3. **Per capita distribution.** Fifty-seven and one-half percent of the available ~~grant~~ aid funds shall be distributed to provide all qualifying systems an equal amount per capita. Each system's allocation pursuant to this subdivision shall be based on the population it serves.

Sec. 15. Minnesota Statutes 2012, section 134.355, subdivision 4, is amended to read:

Subd. 4. **Per square mile distribution.** Twelve and one-half percent of the available ~~grant~~ aid funds shall be distributed to provide all qualifying systems an equal amount per square mile. Each system's allocation pursuant to this subdivision shall be based on the area it serves.

Sec. 16. Minnesota Statutes 2012, section 134.355, subdivision 5, is amended to read:

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

Sec. 17. Minnesota Statutes 2012, section 134.355, subdivision 6, is amended to read:

Subd. 6. **Adjusted net tax capacity per capita distribution.** Twenty-five percent of the available ~~grant aid~~ funds shall be distributed to regional public library systems based upon the adjusted net tax capacity per capita for each member county or participating portion of a county as calculated for the second year preceding the fiscal year for which ~~the grant aid is made provided~~. Each system's entitlement shall be calculated as follows:

(a) Multiply the adjusted net tax capacity per capita for each county or participating portion of a county by .0082.

(b) Add sufficient ~~grant aid~~ funds that are available under this subdivision to raise the amount of the county or participating portion of a county with the lowest value calculated according to paragraph (a) to the amount of the county or participating portion of a county with the next highest value calculated according to paragraph (a). Multiply the amount of the additional ~~grant aid~~ funds by the population of the county or participating portion of a county.

(c) Continue the process described in paragraph (b) by adding sufficient ~~grant aid~~ funds that are available under this subdivision to the amount of a county or participating portion of a county with the next highest value calculated in paragraph (a) to raise it and the amount of counties and participating portions of counties with lower values calculated in paragraph (a) up to the amount of the county or participating portion of a county with the next highest value, until reaching an amount where funds available under this subdivision are no longer sufficient to raise the amount of a county or participating portion of a county and the amount of counties and participating portions of counties with lower values up to the amount of the next highest county or participating portion of a county.

(d) If the point is reached using the process in paragraphs (b) and (c) at which the remaining ~~grant aid~~ funds under this subdivision are not adequate for raising the amount of a county or participating portion of a county and all counties and participating portions of counties with amounts of lower value to the amount of the county or participating portion of a county with the next highest value, those funds are to be divided on a per capita basis for all counties or participating portions of counties that received ~~grant aid~~ funds under the calculation in paragraphs (b) and (c).

Sec. 18. Minnesota Statutes 2012, section 134.36, is amended to read:

#### **134.36 RULES.**

The commissioner of education shall promulgate rules as necessary for implementation of library grant and aid programs.

Sec. 19. **FUND TRANSFER; FISCAL YEARS 2014 AND 2015 ONLY.**

(a) Notwithstanding Minnesota Statutes, section 123B.80, subdivision 3, for fiscal years 2014 and 2015 only, the commissioner must approve a request for a fund transfer if the transfer does not increase state aid obligations to the district or result in additional property tax authority for the district. This section does not permit transfers from the community service fund, the food service fund, or the reserved account for staff development under section 122A.61.

(b) A school board may approve a fund transfer under paragraph (a) only after adopting a resolution stating the fund transfer will not diminish instructional opportunities for students.

**EFFECTIVE DATE.** This section is effective July 1, 2013.



Sec. 20. **ACCELERATED REPAYMENT OF EDUCATION AIDS.**

(a) No later than September 30, 2013, the commissioner of management and budget must estimate the amount of any positive unrestricted budgetary general fund balance at the close of the fiscal year ending June 30, 2013. The commissioner must allocate the amount estimated to the purposes and in the manner specified in Minnesota Statutes, section 16A.152, subdivision 2, paragraph (a), clauses (3) and (4), in that order.

(b) The amounts necessary to meet the requirements of this section are appropriated from the general fund as necessary to meet the appropriations schedules otherwise established in statute.

(c) The commissioner of management and budget shall certify the total dollar amount of the reductions to the purposes specified in Minnesota Statutes, section 16A.152, subdivision 2, paragraph (a), clauses (3) and (4), to the commissioner of education. The commissioner of education shall increase the aid payment percentage and reduce the property tax shift percentage by these amounts and apply those reductions to the current fiscal year and thereafter.

(d) No later than October 15, 2013, the commissioner of management and budget must notify the chairs and ranking minority members of the senate committee on finance, the house of representatives committee on ways and means, and the legislative committees with jurisdiction over education of:

(1) the amount of positive unrestricted budgetary general fund balance estimated under paragraph (a); and

(2) the dollar amount of reductions certified under paragraph (c) and the resulting changes in the aid payment percentage and property tax shift percentage.

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

Sec. 21. **APPROPRIATIONS.**

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

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

<u>\$13,032,000</u>	<u>.....</u>	<u>2014</u>
<u>\$13,293,000</u>	<u>.....</u>	<u>2015</u>

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

<u>\$5,711,000</u>	<u>.....</u>	<u>2014</u>
<u>\$6,022,000</u>	<u>.....</u>	<u>2015</u>

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

<u>\$1,039,000</u>	<u>.....</u>	<u>2014</u>
<u>\$1,049,000</u>	<u>.....</u>	<u>2015</u>

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

<u>\$150,000</u>	.....	<u>2014</u>
<u>\$150,000</u>	.....	<u>2015</u>

**Subd. 6. Basic system support.** For basic system support grants under Minnesota Statutes, section 134.355:

<u>\$13,570,000</u>	.....	<u>2014</u>
<u>\$13,570,000</u>	.....	<u>2015</u>

The 2014 appropriation includes \$1,845,000 for 2013 and \$11,725,000 for 2014.

The 2015 appropriation includes \$1,845,000 for 2014 and \$11,725,000 for 2015.

**Subd. 7. Multicounty, multitype library systems.** For grants under Minnesota Statutes, sections 134.353 and 134.354, to multicounty, multitype library systems:

<u>\$1,300,000</u>	.....	<u>2014</u>
<u>\$1,300,000</u>	.....	<u>2015</u>

The 2014 appropriation includes \$176,000 for 2013 and \$1,124,000 for 2014.

The 2015 appropriation includes \$176,000 for 2014 and \$1,124,000 for 2015.

**Subd. 8. Electronic library for Minnesota.** For statewide licenses to online databases selected in cooperation with the Minnesota Office of Higher Education for school media centers, public libraries, state government agency libraries, and public or private college or university libraries:

<u>\$900,000</u>	.....	<u>2014</u>
<u>\$900,000</u>	.....	<u>2015</u>

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

**Subd. 9. Regional library telecommunications aid.** For regional library telecommunications aid under Minnesota Statutes, section 134.355:

<u>\$2,300,000</u>	.....	<u>2014</u>
<u>\$2,300,000</u>	.....	<u>2015</u>

The 2014 appropriation includes \$312,000 for 2013 and \$1,988,000 for 2014.

The 2015 appropriation includes \$312,000 for 2014 and \$1,988,000 for 2015.

**Sec. 22. REVISOR'S INSTRUCTION.**

In Minnesota Statutes and Minnesota Rules, the revisor of statutes shall substitute the term "Division of State Library Services" for "Library Development and Services," "Office of Library Development and Services," or "LDS" where "LDS" stands for "Library Development and Services." The revisor shall also make grammatical changes related to the changes in terms.

**Sec. 23. REPEALER.**

Minnesota Statutes 2012, section 123B.75, subdivision 6a, is repealed.

ARTICLE 8  
EARLY CHILDHOOD EDUCATION, SELF-SUFFICIENCY, AND LIFELONG LEARNING

Section 1. **[16F.01] MINNESOTA YOUTH COUNCIL COMMITTEE.**

Subdivision 1. **Establishment and membership.** The Minnesota Youth Council Committee is established within and under the auspices of the Minnesota Alliance With Youth. The committee consists of four members from each congressional district in Minnesota and four members selected at-large. Members must be selected through an application and interview process conducted by the Minnesota Alliance With Youth. In making its appointments, the Minnesota Alliance With Youth should strive to ensure gender and ethnic diversity in the committee's membership. Members must be between the ages of 13 and 19 and serve two-year terms, except that one-half of the initial members must serve a one-year term. Members may serve a maximum of two terms.

Subd. 2. **Duties.** The Minnesota Youth Council Committee shall:

- (1) provide advice and recommendations to the legislature and the governor on issues affecting youth;
- (2) serve as a liaison for youth around the state to the legislature and the governor; and
- (3) submit an annual report of the council's activities and goals.

Subd. 3. **Partnerships.** The Minnesota Youth Council Committee shall partner with nonprofits, the private sector, and educational resources to fulfill its duties.

Subd. 4. **Youth Council Committee in the legislature.** (a) The Minnesota Youth Council Committee shall meet at least twice each year during the regular session of the legislature.

(b) The committee may:

- (1) select introduced bills in the house of representatives and senate for consideration for a public hearing before the committee;
- (2) propose youth legislation;
- (3) provide advisory opinions to the legislature on bills heard before the committee; and
- (4) prepare a youth omnibus bill.

(c) The leaders of the majority and minority parties of the house of representatives and senate shall each appoint one legislator to serve as a legislative liaison to the committee. Leadership of the house of representatives and senate, on rotating years, may appoint a staff member to staff the committee.

Sec. 2. **[124D.165] EARLY LEARNING SCHOLARSHIPS.**

Subdivision 1. **Establishment; purpose.** There is established an early learning scholarships program in order to increase access to high-quality early childhood programs for children ages three to five.

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

- (1) have a child three or four years of age on September 1 of the current year, who has not yet started kindergarten; and

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

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

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

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

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

Subd. 3. **Administration.** (a) The commissioner shall establish application timelines and determine the schedule for awarding scholarships that meets operational needs of eligible families and programs. The commissioner may prioritize applications on factors including family income, geographic location, and whether the child's family is on a waiting list for a publicly funded program providing early education or child care services.

(b) Scholarships may be awarded up to \$5,000 for each eligible child per year.

(c) A four-star rated program that has children eligible for a scholarship enrolled in or on a waiting list for a program beginning in July, August, or September may notify the commissioner, in the form and manner prescribed by the commissioner, each year of the program's desire to enhance program services or to serve more children than current funding provides. The commissioner may designate a predetermined number of scholarship slots for that program and notify the program of that number.

(d) A scholarship is awarded for a 12-month period. If the scholarship recipient has not been accepted and subsequently enrolled in a rated program within ten months of the awarding of the scholarship, the scholarship cancels and the recipient must reapply in order to be eligible for another scholarship. A child may not be awarded more than one scholarship in a 12-month period.

(e) A child who receives a scholarship who has not completed development screening under sections 121A.16 to 121A.19 must complete that screening within 90 days of first attending an eligible program.

Subd. 4. **Early childhood program eligibility.** (a) In order to be eligible to accept an early childhood education scholarship, a program must:

(1) participate in the quality rating and improvement system under section 124D.142; and

(2) beginning July 1, 2016, have a three- or four-star rating in the quality rating and improvement system.

(b) Any program accepting scholarships must use the revenue to supplement and not supplant federal funding.

Subd. 5. **Report required.** The commissioner shall contract with an independent contractor to evaluate the early learning scholarship program. The evaluation must include recommendations regarding the appropriate scholarship amount, efficiency, and effectiveness of the administration, and impact on kindergarten readiness.

Sec. 3. Minnesota Statutes 2012, section 124D.531, subdivision 1, is amended to read:

Subdivision 1. **State total adult basic education aid.** (a) The state total adult basic education aid for fiscal year 2011 equals \$44,419,000, plus any amount that is not paid during the previous fiscal year as a result of adjustments under subdivision 4, paragraph (a), or section 124D.52, subdivision 3. The state total adult basic education aid for later fiscal years equals:

(1) the state total adult basic education aid for the preceding fiscal year plus any amount that is not paid for during the previous fiscal year, as a result of adjustments under subdivision 4, paragraph (a), or section 124D.52, subdivision 3; times

(2) the lesser of:

(i) ~~4.02~~ 1.025; or

(ii) the average growth in state total contact hours over the prior ten program years.

Beginning in fiscal year 2002, two percent of the state total adult basic education aid must be set aside for adult basic education supplemental service grants under section 124D.522.

(b) The state total adult basic education aid, excluding basic population aid, equals the difference between the amount computed in paragraph (a), and the state total basic population aid under subdivision 2.

**EFFECTIVE DATE.** This section is effective for revenue for fiscal year 2015 and later.

Sec. 4. Laws 2011, First Special Session chapter 11, article 7, section 2, subdivision 8, as amended by Laws 2012, chapter 239, article 3, section 4, is amended to read:

Subd. 8. **Early childhood education scholarships.** For grants to early childhood education scholarships for public or private early childhood preschool programs for children ages 3 to 5:

\$2,000,000                      . . . . .                      2013

(a) All children whose parents or legal guardians meet the eligibility requirements of paragraph (b) established by the commissioner are eligible to receive early childhood education scholarships under this section.

(b) A parent or legal guardian is eligible for an early childhood education scholarship if the parent or legal guardian:

(1) has a child three or four years of age on September 1, beginning in calendar year 2012; and

(2)(i) has income equal to or less than 47 percent of the state median income in the current calendar year; or

(ii) can document their child's identification through another public funding eligibility process, including the Free and Reduced Price Lunch Program, National School Lunch Act, United States Code, title 42, section 1751, part 210; Head Start under federal Improving Head Start for School Readiness Act of 2007; Minnesota family investment program under chapter 256J; and child care assistance programs under chapter 119B. Early childhood scholarships may not be counted as earned income for the purposes of medical assistance, MinnesotaCare, Minnesota family investment program, child care assistance, or Head Start programs.

Each year, if this appropriation is insufficient to provide early childhood education scholarships to all eligible children, the Department of Education shall make scholarships available on a first-come, first-served basis.

The commissioner of education shall submit a written report to the education committees of the legislature by January 15, 2012, describing its plan for implementation of scholarships under this subdivision for the 2012-2013 school year.

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

The base for this program is \$3,000,000 each year.

**EFFECTIVE DATE.** This section is effective the day following final enactment and applies to early learning scholarships received during fiscal year 2013.

Sec. 5. **APPROPRIATIONS.**

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

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

<u>\$10,095,000</u>	<u>.....</u>	<u>2014</u>
<u>\$10,159,000</u>	<u>.....</u>	<u>2015</u>

The 2014 appropriation includes \$1,372,000 for 2013 and \$8,723,000 for 2014.

The 2015 appropriation includes \$1,372,000 for 2014 and \$8,787,000 for 2015.

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

<u>\$22,078,000</u>	<u>.....</u>	<u>2014</u>
<u>\$22,425,000</u>	<u>.....</u>	<u>2015</u>

The 2014 appropriation includes \$3,008,000 for 2013 and \$19,070,000 for 2014.

The 2015 appropriation includes \$3,001,000 for 2014 and \$19,424,000 for 2015.

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

<u>\$3,421,000</u>	<u>.....</u>	<u>2014</u>
<u>\$3,344,000</u>	<u>.....</u>	<u>2015</u>

The 2014 appropriation includes \$474,000 for 2013 and \$2,947,000 for 2014.

The 2015 appropriation includes \$463,000 for 2014 and \$2,881,000 for 2015.

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

<u>\$20,100,000</u>	.....	<u>2014</u>
<u>\$20,100,000</u>	.....	<u>2015</u>

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

<u>\$49,000</u>	.....	<u>2014</u>
<u>\$49,000</u>	.....	<u>2015</u>

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

<u>\$281,000</u>	.....	<u>2014</u>
<u>\$281,000</u>	.....	<u>2015</u>

Subd. 8. **Early childhood education scholarships.** For transfer to the Office of Early Learning for early learning scholarships under Minnesota Statutes, section 124D.165:

<u>\$23,000,000</u>	.....	<u>2014</u>
<u>\$23,000,000</u>	.....	<u>2015</u>

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

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

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

<u>\$250,000</u>	.....	<u>2014</u>
<u>\$250,000</u>	.....	<u>2015</u>

The grant must be used for an evidence-based and research-validated early childhood literacy and school readiness program for children ages 16 months to four years at its existing suburban program location. The program must expand to one additional urban and one additional rural program location for fiscal years 2014 and 2015.

Subd. 10. **Community education aid.** For community education aid under Minnesota Statutes, section 124D.20:

<u>\$935,000</u>	.....	<u>2014</u>
<u>\$1,056,000</u>	.....	<u>2015</u>

The 2014 appropriation includes \$118,000 for 2013 and \$817,000 for 2014.

The 2015 appropriation includes \$128,000 for 2014 and \$928,000 for 2015.

Subd. 11. **Adults with disabilities program aid.** For adults with disabilities programs under Minnesota Statutes, section 124D.56:

<u>\$710,000</u>	.....	<u>2014</u>
<u>\$710,000</u>	.....	<u>2015</u>

The 2014 appropriation includes \$96,000 for 2013 and \$614,000 for 2014.

The 2015 appropriation includes \$96,000 for 2014 and \$614,000 for 2015.

Subd. 12. **Hearing-impaired adults.** For programs for hearing-impaired adults under Minnesota Statutes, section 124D.57:

<u>\$70,000</u>	.....	<u>2014</u>
<u>\$70,000</u>	.....	<u>2015</u>

Subd. 13. **School-age care revenue.** For extended day aid under Minnesota Statutes, section 124D.22:

<u>\$1,000</u>	.....	<u>2014</u>
<u>\$1,000</u>	.....	<u>2015</u>

The 2014 appropriation includes \$0 for 2013 and \$1,000 for 2014.

The 2015 appropriation includes \$0 for 2014 and \$1,000 for 2015.

Subd. 14. **Adult basic education aid.** For adult basic education aid under Minnesota Statutes, section 124D.531:

<u>\$47,005,000</u>	.....	<u>2014</u>
<u>\$48,145,000</u>	.....	<u>2015</u>

The 2014 appropriation includes \$6,284,000 for 2013 and \$40,721,000 for 2014.

The 2015 appropriation includes \$6,409,000 for 2014 and \$41,736,000 for 2015.

Subd. 15. **GED tests.** For payment of 60 percent of the costs of GED tests under Minnesota Statutes, section 124D.55:

<u>\$125,000</u>	.....	<u>2014</u>
<u>\$125,000</u>	.....	<u>2015</u>

Subd. 16. **Education and employment solution.** For a grant to the Minneapolis Urban League for education and employment solutions for young adults:

<u>\$600,000</u>	.....	<u>2014</u>
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Any balance in fiscal year 2014 does not cancel and is available in fiscal year 2015. This is a onetime appropriation.

## ARTICLE 9 STATE AGENCIES

### Section 1. **APPROPRIATIONS; DEPARTMENT OF EDUCATION.**

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

Subd. 2. **Department.** (a) For the Department of Education:

<u>\$20,058,000</u>	.....	<u>2014</u>
<u>\$19,308,000</u>	.....	<u>2015</u>

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



(b) \$260,000 each year is for the Minnesota Children's Museum.

(c) \$41,000 each year is for the Minnesota Academy of Science.

(d) \$50,000 each year is for the Duluth Children's Museum.

(e) \$618,000 each year is for the Board of Teaching. Any balance in the first year does not cancel but is available in the second year.

(f) \$167,000 each year is for the Board of School Administrators. Any balance in the first year does not cancel but is available in the second year.

(g) The expenditures of federal grants and aids as shown in the biennial budget document and its supplements are approved and appropriated and shall be spent as indicated.

(h) None of the amounts appropriated under this subdivision may be used for Minnesota's Washington, D. C. office.

(i) \$250,000 each year is for the School Finance Division to enhance financial data analysis.

(j) \$750,000 in fiscal year 2014 only is for departmental costs associated with teacher development and evaluation. Any balance in the first year does not cancel and is available in the second year.

**Subd. 3. Licensure by portfolio.** For licensure by portfolio:

<u>\$30,000</u>	.....	<u>2014</u>
<u>\$30,000</u>	.....	<u>2015</u>

This appropriation is from the educator licensure portfolio account of the special revenue fund.

**Sec. 2. APPROPRIATIONS; MINNESOTA STATE ACADEMIES.**

The sums indicated in this section are appropriated from the general fund to the Minnesota State Academies for the Deaf and the Blind for the fiscal years designated:

<u>\$11,749,000</u>	.....	<u>2014</u>
<u>\$11,664,000</u>	.....	<u>2015</u>

\$85,000 of the fiscal year 2014 appropriation is for costs associated with upgrading kitchen facilities. Any balance in the first year does not cancel but is available in the second year.

**Sec. 3. APPROPRIATIONS; PERPICH CENTER FOR ARTS EDUCATION.**

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

<u>\$6,773,000</u>	.....	<u>2014</u>
<u>\$6,773,000</u>	.....	<u>2015</u>

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

ARTICLE 10  
FORECAST ADJUSTMENTS

A. GENERAL EDUCATION

Section 1. Laws 2011, First Special Session chapter 11, article 1, section 36, subdivision 2, as amended by Laws 2012, chapter 292, article 2, section 1, is amended to read:

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

\$5,379,068,000	.....	2012
\$ <del>5,844,995,000</del> <u>7,153,701,000</u>	.....	2013

The 2012 appropriation includes \$1,660,922,000 for 2011 and \$3,718,146,000 for 2012.

The 2013 appropriation includes \$2,038,568,000 for 2012 and ~~\$3,806,427,000~~ \$5,115,133,000 for 2013.

Sec. 2. Laws 2011, First Special Session chapter 11, article 1, section 36, subdivision 3, as amended by Laws 2012, chapter 292, article 2, section 2, is amended to read:

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

\$42,000	.....	2012
\$ <del>46,000</del> <u>40,000</u>	.....	2013

Sec. 3. Laws 2011, First Special Session chapter 11, article 1, section 36, subdivision 4, as amended by Laws 2012, chapter 292, article 2, section 3, is amended to read:

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

\$1,406,000	.....	2012
\$ <del>2,072,000</del> <u>2,503,000</u>	.....	2013

The 2012 appropriation includes \$346,000 for 2011 and \$1,060,000 for 2012.

The 2013 appropriation includes \$588,000 for 2012 and ~~\$1,484,000~~ \$1,915,000 for 2013.

Sec. 4. Laws 2011, First Special Session chapter 11, article 1, section 36, subdivision 5, as amended by Laws 2012, chapter 292, article 2, section 4, is amended to read:

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

\$145,000	.....	2012
\$ <del>193,000</del> <u>260,000</u>	.....	2013

The 2012 appropriation includes \$145,000 for 2011 and \$0 for 2012.

The 2013 appropriation includes \$0 for 2012 and ~~\$193,000~~ \$260,000 for 2013.

Sec. 5. Laws 2011, First Special Session chapter 11, article 1, section 36, subdivision 6, as amended by Laws 2012, chapter 292, article 2, section 5, is amended to read:

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

\$14,302,000	.....	2012
\$ <del>15,594,000</del> <u>18,969,000</u>	.....	2013

The 2012 appropriation includes \$4,161,000 for 2011 and \$10,141,000 for 2012.

The 2013 appropriation includes \$5,629,000 for 2012 and ~~\$9,965,000~~ \$13,340,000 for 2013.

Sec. 6. Laws 2011, First Special Session chapter 11, article 1, section 36, subdivision 7, as amended by Laws 2012, chapter 292, article 2, section 6, is amended to read:

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

\$17,757,000	.....	2012
\$ <del>19,036,000</del> <u>23,648,000</u>	.....	2013

The 2012 appropriation includes \$5,700,000 for 2011 and \$12,057,000 for 2012.

The 2013 appropriation includes \$6,694,000 for 2012 and ~~\$12,342,000~~ \$16,954,000 for 2013.

Sec. 7. Laws 2011, First Special Session chapter 11, article 1, section 36, subdivision 10, as amended by Laws 2012, chapter 292, article 2, section 7, is amended to read:

Subd. 10. **Compensatory pilot project formula aid.** For grants for compensatory pilot project formula aid as calculated under this subdivision:

\$ <del>9,368,000</del> <u>13,403,000</u>	.....	2013
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For fiscal year 2013 only, a district which has a pupil unit count that is in the top 20 largest pupil unit counts is eligible for the greater of zero or \$1,400 times the number of compensatory pupil units, minus the amount of compensatory education revenue received by the district under Minnesota Statutes, section 126C.10, subdivision 3.

The 2013 appropriation includes \$0 for 2012 and ~~\$9,368,000~~ \$13,403,000 for 2013.

This is a onetime appropriation.

## B. EDUCATION EXCELLENCE

Sec. 8. Laws 2011, First Special Session chapter 11, article 2, section 50, subdivision 2, as amended by Laws 2012, chapter 292, article 2, section 8, is amended to read:

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

\$42,806,000	.....	2012
\$ <del>48,978,000</del> <u>60,067,000</u>	.....	2013

The 2012 appropriation includes \$12,642,000 for 2011 and \$30,164,000 for 2012.

The 2013 appropriation includes \$16,746,000 for 2012 and ~~\$32,232,000~~ \$43,321,000 for 2013.

Sec. 9. Laws 2011, First Special Session chapter 11, article 2, section 50, subdivision 4, as amended by Laws 2012, chapter 292, article 2, section 10, is amended to read:

Subd. 4. **Integration aid.** For integration aid under Minnesota Statutes, section 124D.86:

\$61,181,000	.....	2012
\$ <del>65,498,000</del> <u>79,329,000</u>	.....	2013

The 2012 appropriation includes \$19,272,000 for 2011 and \$41,909,000 for 2012.

The 2013 appropriation includes \$23,268,000 for 2012 and ~~\$42,230,000~~ \$56,061,000 for 2013.

The base for the final payment in fiscal year 2014 for fiscal year 2013 is ~~\$31,668,000~~ \$17,197,000.

Sec. 10. Laws 2011, First Special Session chapter 11, article 2, section 50, subdivision 5, as amended by Laws 2012, chapter 292, article 2, section 11, is amended to read:

Subd. 5. **Literacy incentive aid.** For literacy incentive aid under Minnesota Statutes, section 124D.98:

\$ <del>31,241,000</del> <u>41,978,000</u>	.....	2013
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The 2013 appropriation includes \$0 for 2012 and ~~\$31,241,000~~ \$41,978,000 for 2013.

Sec. 11. Laws 2011, First Special Session chapter 11, article 2, section 50, subdivision 6, as amended by Laws 2012, chapter 292, article 2, section 12, is amended to read:

Subd. 6. **Interdistrict desegregation or integration transportation grants.** For interdistrict desegregation or integration transportation grants under Minnesota Statutes, section 124D.87:

\$13,262,000	.....	2012
\$ <del>13,966,000</del> <u>13,260,000</u>	.....	2013

Sec. 12. Laws 2011, First Special Session chapter 11, article 2, section 50, subdivision 7, as amended by Laws 2012, chapter 292, article 2, section 13, is amended to read:

Subd. 7. **Success for the future.** For American Indian success for the future grants under Minnesota Statutes, section 124D.81:

\$2,013,000	.....	2012
\$ <del>2,137,000</del> <u>2,609,000</u>	.....	2013

The 2012 appropriation includes \$638,000 for 2011 and \$1,375,000 for 2012.

The 2013 appropriation includes \$762,000 for 2012 and ~~\$1,375,000~~ \$1,847,000 for 2013.

Sec. 13. Laws 2011, First Special Session chapter 11, article 2, section 50, subdivision 9, as amended by Laws 2012, chapter 292, article 2, section 14, is amended to read:

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

\$1,791,000	.....	2012
\$ <del>1,969,000</del> <u>2,353,000</u>	.....	2013

The 2012 appropriation includes \$600,000 for 2011 and \$1,191,000 for 2012.

The 2013 appropriation includes \$660,000 for 2012 and ~~\$1,309,000~~ \$1,693,000 for 2013.

### C. SPECIAL EDUCATION

Sec. 14. Laws 2011, First Special Session chapter 11, article 3, section 11, subdivision 2, as amended by Laws 2012, chapter 292, article 2, section 15, is amended to read:

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

\$767,845,000	.....	2012
\$ <del>856,386,000</del> <u>1,046,423,000</u>	.....	2013

The 2012 appropriation includes \$235,975,000 for 2011 and \$531,870,000 for 2012.

The 2013 appropriation includes \$295,299,000 for 2012 and ~~\$561,087,000~~ \$751,124,000 for 2013.

Sec. 15. Laws 2011, First Special Session chapter 11, article 3, section 11, subdivision 3, as amended by Laws 2012, chapter 292, article 2, section 16, is amended to read:

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

\$1,508,000	.....	2012
\$ <del>1,593,000</del> <u>1,570,000</u>	.....	2013

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

Sec. 16. Laws 2011, First Special Session chapter 11, article 3, section 11, subdivision 4, as amended by Laws 2012, chapter 292, article 2, section 17, is amended to read:

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

\$314,000	.....	2012
\$ <del>321,000</del> <u>407,000</u>	.....	2013

The 2012 appropriation includes \$107,000 for 2011 and \$207,000 for 2012.

The 2013 appropriation includes \$114,000 for 2012 and ~~\$207,000~~ \$293,000 for 2013.

Sec. 17. Laws 2011, First Special Session chapter 11, article 3, section 11, subdivision 5, as amended by Laws 2012, chapter 292, article 2, section 18, is amended to read:

Subd. 5. **Special education; excess costs.** For excess cost aid under Minnesota Statutes, section 125A.79, subdivision 7:

\$107,557,000	.....	2012
\$ <del>115,269,000</del> <u>134,121,000</u>	.....	2013

The 2012 appropriation includes \$53,449,000 for 2011 and \$54,108,000 for 2012.

The 2013 appropriation includes \$59,607,000 for 2012 and ~~\$55,662,000~~ \$74,514,000 for 2013.

#### D. FACILITIES AND TECHNOLOGY

Sec. 18. Laws 2011, First Special Session chapter 11, article 4, section 10, subdivision 2, as amended by Laws 2012, chapter 292, article 2, section 19, is amended to read:

Subd. 2. **Health and safety revenue.** For health and safety aid according to Minnesota Statutes, section 123B.57, subdivision 5:

\$98,000	.....	2012
\$ <del>157,000</del> <u>200,000</u>	.....	2013

The 2012 appropriation includes \$39,000 for 2011 and \$59,000 for 2012.

The 2013 appropriation includes \$32,000 for 2012 and ~~\$125,000~~ \$168,000 for 2013.

Sec. 19. Laws 2011, First Special Session chapter 11, article 4, section 10, subdivision 3, as amended by Laws 2012, chapter 292, article 2, section 20, is amended to read:

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

\$11,625,000	.....	2012
\$ <del>16,342,000</del> <u>20,237,000</u>	.....	2013

The 2012 appropriation includes \$2,604,000 for 2011 and \$9,021,000 for 2012.

The 2013 appropriation includes \$5,008,000 for 2012 and ~~\$11,334,000~~ \$15,229,000 for 2013.

Sec. 20. Laws 2011, First Special Session chapter 11, article 4, section 10, subdivision 4, as amended by Laws 2012, chapter 292, article 2, section 21, is amended to read:

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

\$18,187,000	.....	2012
\$ <del>19,287,000</del> <u>23,549,000</u>	.....	2013

The 2012 appropriation includes \$5,785,000 for 2011 and \$12,402,000 for 2012.

The 2013 appropriation includes \$6,885,000 for 2012 and ~~\$12,402,000~~ \$16,664,000 for 2013.

Sec. 21. Laws 2011, First Special Session chapter 11, article 4, section 10, subdivision 6, as amended by Laws 2012, chapter 292, article 2, section 22, is amended to read:

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

\$2,331,000	.....	2012
\$ <del>3,141,000</del> <u>3,817,000</u>	.....	2013

The 2012 appropriation includes \$676,000 for 2011 and \$1,655,000 for 2012.

The 2013 appropriation includes \$918,000 for 2012 and ~~\$2,223,000~~ \$2,899,000 for 2013.

#### E. NUTRITION AND LIBRARIES

Sec. 22. Laws 2011, First Special Session chapter 11, article 5, section 12, subdivision 2, as amended by Laws 2012, chapter 292, article 2, section 23, is amended to read:

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

\$12,285,000	.....	2012
\$ <del>12,524,000</del> <u>12,266,000</u>	.....	2013

Sec. 23. Laws 2011, First Special Session chapter 11, article 5, section 12, subdivision 3, as amended by Laws 2012, chapter 292, article 2, section 24, is amended to read:

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

\$5,247,000	.....	2012
\$ <del>5,560,000</del> <u>5,417,000</u>	.....	2013

Sec. 24. Laws 2011, First Special Session chapter 11, article 5, section 12, subdivision 4, as amended by Laws 2012, chapter 292, article 2, section 25, is amended to read:

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

\$1,025,000	.....	2012
\$ <del>1,035,000</del> <u>1,019,000</u>	.....	2013

Sec. 25. Laws 2011, First Special Session chapter 11, article 6, section 2, subdivision 2, as amended by Laws 2012, chapter 292, article 2, section 26, is amended to read:

Subd. 2. **Basic system support.** For basic system support grants under Minnesota Statutes, section 134.355:

\$12,797,000	.....	2012
\$ <del>13,570,000</del> <u>16,569,000</u>	.....	2013

The 2012 appropriation includes \$4,071,000 for 2011 and \$8,726,000 for 2012.

The 2013 appropriation includes \$4,844,000 for 2012 and ~~\$8,726,000~~ \$11,725,000 for 2013.

Sec. 26. Laws 2011, First Special Session chapter 11, article 6, section 2, subdivision 3, as amended by Laws 2012, chapter 292, article 2, section 27, is amended to read:

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

	\$1,226,000	.....	2012
	<del>\$ 1,300,000</del> <u>1,588,000</u>	.....	2013

The 2012 appropriation includes \$390,000 for 2011 and \$836,000 for 2012.

The 2013 appropriation includes \$464,000 for 2012 and ~~\$836,000~~ \$1,124,000 for 2013.

Sec. 27. Laws 2011, First Special Session chapter 11, article 6, section 2, subdivision 5, as amended by Laws 2012, chapter 292, article 2, section 28, is amended to read:

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

	\$2,169,000	.....	2012
	<del>\$ 2,300,000</del> <u>2,809,000</u>	.....	2013

The 2012 appropriation includes \$690,000 for 2011 and \$1,479,000 for 2012.

The 2013 appropriation includes \$821,000 for 2012 and ~~\$1,479,000~~ \$1,988,000 for 2013.

#### F. EARLY CHILDHOOD EDUCATION, PREVENTION, AND LIFELONG LEARNING

Sec. 28. Laws 2011, First Special Session chapter 11, article 7, section 2, subdivision 2, as amended by Laws 2012, chapter 292, article 2, section 29, is amended to read:

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

	\$9,444,000	.....	2012
	<del>\$ 10,095,000</del> <u>12,326,000</u>	.....	2013

The 2012 appropriation includes \$2,952,000 for 2011 and \$6,492,000 for 2012.

The 2013 appropriation includes \$3,603,000 for 2012 and ~~\$6,492,000~~ \$8,723,000 for 2013.

Sec. 29. Laws 2011, First Special Session chapter 11, article 7, section 2, subdivision 3, as amended by Laws 2012, chapter 292, article 2, section 30, is amended to read:

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

	\$21,099,000	.....	2012
	<del>\$ 22,358,000</del> <u>27,197,000</u>	.....	2013

The 2012 appropriation includes \$6,542,000 for 2011 and \$14,557,000 for 2012.

The 2013 appropriation includes \$8,082,000 for 2012 and ~~\$14,276,000~~ \$19,115,000 for 2013.



Sec. 30. Laws 2011, First Special Session chapter 11, article 7, section 2, subdivision 4, as amended by Laws 2012, chapter 292, article 2, section 31, is amended to read:

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

\$3,359,000	.....	2012
\$ <del>3,543,000</del> <u>4,287,000</u>	.....	2013

The 2012 appropriation includes \$1,066,000 for 2011 and \$2,293,000 for 2012.

The 2013 appropriation includes \$1,273,000 for 2012 and ~~\$2,270,000~~ \$3,014,000 for 2013.

Sec. 31. Laws 2011, First Special Session chapter 11, article 8, section 2, subdivision 2, as amended by Laws 2012, chapter 292, article 2, section 32, is amended to read:

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

\$442,000	.....	2012
\$ <del>746,000</del> <u>926,000</u>	.....	2013

The 2012 appropriation includes \$134,000 for 2011 and \$308,000 for 2012.

The 2013 appropriation includes \$170,000 for 2012 and ~~\$576,000~~ \$756,000 for 2013.

Sec. 32. Laws 2011, First Special Session chapter 11, article 8, section 2, subdivision 3, as amended by Laws 2012, chapter 292, article 2, section 33, is amended to read:

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

\$654,000	.....	2012
\$ <del>710,000</del> <u>867,000</u>	.....	2013

The 2012 appropriation includes \$197,000 for 2011 and \$457,000 for 2012.

The 2013 appropriation includes \$253,000 for 2012 and ~~\$457,000~~ \$614,000 for 2013.

Sec. 33. Laws 2011, First Special Session chapter 11, article 9, section 3, subdivision 2, as amended by Laws 2012, chapter 292, article 2, section 34, is amended to read:

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

\$42,526,000	.....	2012
\$ <del>45,901,000</del> <u>56,113,000</u>	.....	2013

The 2012 appropriation includes \$13,364,000 for 2011 and \$29,162,000 for 2012.

The 2013 appropriation includes \$16,190,000 for 2012 and ~~\$29,711,000~~ \$39,923,000 for 2013."

Delete the title and insert:

"A bill for an act relating to education; providing funding and policy for early childhood and family, prekindergarten through grade 12, and adult education, including general education, student accountability, education excellence, charter schools, special education, facilities, technology, nutrition, libraries, accounting, early childhood, self-sufficiency, lifelong learning, state agencies, and forecast adjustments; authorizing rulemaking; requiring reports; appropriating money; amending Minnesota Statutes 2012, sections 15.059, subdivision 5b; 120A.20, subdivision 1; 120A.22, subdivisions 5, 8, 11, 12; 120A.24, subdivision 1; 120A.41; 120B.02; 120B.021, subdivision 1; 120B.023; 120B.024; 120B.11; 120B.125; 120B.128; 120B.15; 120B.30, subdivisions 1, 1a; 120B.31, subdivision 1; 120B.35, subdivision 3; 120B.36, subdivision 1; 121A.22, subdivision 2; 121A.2205; 121A.39; 122A.09, subdivision 4; 122A.18, subdivision 2; 122A.23, subdivision 2; 122A.28, subdivision 1; 122A.33, subdivision 3; 122A.40, subdivision 8; 122A.41, subdivision 5; 122A.415, by adding subdivisions; 122A.61, subdivision 1; 123A.73, subdivisions 3, 4, 5; 123B.41, subdivision 7; 123B.42, subdivision 3; 123B.53, subdivision 5; 123B.54; 123B.57, subdivision 4; 123B.591, subdivisions 2, 3; 123B.75, subdivision 5; 123B.88, subdivision 22; 123B.92, subdivisions 1, 5, 9; 124D.02, subdivision 1; 124D.03, subdivision 12; 124D.095, subdivision 10; 124D.10; 124D.11, subdivisions 1, 2, 4, 5; 124D.111, subdivision 1; 124D.119; 124D.122; 124D.128, subdivision 2; 124D.42; 124D.4531; 124D.52, by adding a subdivision; 124D.531, subdivision 1; 124D.65, subdivision 5; 124D.79, subdivision 1, by adding a subdivision; 125A.0941; 125A.0942; 125A.11, subdivision 1; 125A.27, subdivisions 8, 11, 14; 125A.28; 125A.29; 125A.30; 125A.32; 125A.33; 125A.35, subdivision 1; 125A.36; 125A.43; 125A.76, subdivisions 1, 4a, 8, by adding subdivisions; 125A.78, subdivision 2; 125A.79, subdivisions 1, 5, 8; 125B.26, subdivision 4; 126C.05, subdivisions 1, 5, 6, 15; 126C.10, subdivisions 1, 2, 2a, 2b, 2c, 3, 7, 8, 13, 13a, 14, 18, 24, 29, 31, 32, 34, 35, 36, by adding subdivisions; 126C.12, subdivisions 1, 5; 126C.126; 126C.13, subdivision 4, by adding subdivisions; 126C.15, subdivisions 1, 2; 126C.17; 126C.20; 126C.40, subdivisions 1, 6; 126C.44; 127A.45, subdivisions 12a, 13; 127A.47, subdivisions 7, 8; 127A.51; 128D.11, subdivision 3; 134.32; 134.34; 134.351, subdivisions 3, 7; 134.353; 134.354; 134.355, subdivisions 1, 2, 3, 4, 5, 6; 134.36; 260A.02, subdivision 3; 260A.03; 260A.05, subdivision 1; 260A.07, subdivision 1; 260C.007, subdivision 19; Laws 2007, chapter 146, article 4, section 12; Laws 2011, First Special Session chapter 11, article 1, section 36, subdivisions 2, as amended, 3, as amended, 4, as amended, 5, as amended, 6, as amended, 7, as amended, 10, as amended; article 2, section 50, subdivisions 2, as amended, 4, as amended, 5, as amended, 6, as amended, 7, as amended, 9, as amended; article 3, section 11, subdivisions 2, as amended, 3, as amended, 4, as amended, 5, as amended; article 4, section 10, subdivisions 2, as amended, 3, as amended, 4, as amended, 6, as amended; article 5, section 12, subdivisions 2, as amended, 3, as amended, 4, as amended; article 6, section 2, subdivisions 2, as amended, 3, as amended, 5, as amended; article 7, section 2, subdivisions 2, as amended, 3, as amended, 4, as amended, 8, as amended; article 8, section 2, subdivisions 2, as amended, 3, as amended; article 9, section 3, subdivision 2, as amended; proposing coding for new law in Minnesota Statutes, chapters 120B; 121A; 124D; proposing coding for new law as Minnesota Statutes, chapter 16F; repealing Minnesota Statutes 2012, sections 120B.08; 120B.09; 123B.75, subdivision 6a; 124D.454, subdivisions 3, 10, 11; 125A.35, subdivisions 4, 5; 125A.76, subdivisions 2, 4, 5, 7; 125A.79, subdivisions 6, 7; 126C.10, subdivisions 31a, 31b, 31c, 34, 35, 36; 126C.17, subdivision 13; 127A.50, subdivisions 1, 5; Minnesota Rules, parts 3501.0010; 3501.0020; 3501.0030, subparts 1, 2, 3, 4, 5, 6, 7, 9, 10, 11, 12, 13, 14, 15, 16; 3501.0040; 3501.0050; 3501.0060; 3501.0090; 3501.0100; 3501.0110; 3501.0120; 3501.0130; 3501.0140; 3501.0150; 3501.0160; 3501.0170; 3501.0180; 3501.0200; 3501.0210; 3501.0220; 3501.0230; 3501.0240; 3501.0250; 3501.0270; 3501.0280, subparts 1, 2; 3501.0290; 3501.0505; 3501.0510; 3501.0515; 3501.0520; 3501.0525; 3501.0530; 3501.0535; 3501.0540; 3501.0545; 3501.0550; 3501.1000; 3501.1020; 3501.1030; 3501.1040; 3501.1050; 3501.1100; 3501.1120; 3501.1130; 3501.1140; 3501.1150; 3501.1160; 3501.1170; 3501.1180; 3501.1190."

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

House Conferees: PAUL MARQUART, CARLOS MARIANI, KATHY BRYNAERT and WILL MORGAN.

Senate Conferees: CHARLES W. WIGER, PATRICIA TORRES RAY, LEROY A. STUMPF, ALICE M. JOHNSON and KEVIN L. DAHLE.

Marquart moved that the report of the Conference Committee on H. F. No. 630 be adopted and that the bill be repassed as amended by the Conference Committee.

A roll call was requested and properly seconded.

Woodard moved that the House refuse to adopt the report of the Conference Committee on H. F. No. 630, that the present Conference Committee be discharged, that the Speaker appoint a new Conference Committee consisting of 5 members on the part of the House and that the Senate be requested to appoint a like committee to confer on the disagreeing votes of the two houses on H. F. No. 630.

A roll call was requested and properly seconded.

The question was taken on the Woodard motion and the roll was called. There were 61 yeas and 71 nays as follows:

Those who voted in the affirmative were:

Abeler	Dean, M.	Hackbarth	Leidiger	Petersburg	Urdahl
Albright	Dettmer	Hamilton	Lohmer	Pugh	Wills
Anderson, M.	Drazkowski	Hertaus	Loon	Quam	Winkler
Anderson, P.	Erickson, S.	Holberg	Mack	Runbeck	Woodard
Anderson, S.	Fabian	Hoppe	McNamara	Sanders	Zellers
Barrett	FitzSimmons	Howe	Myhra	Schomacker	Zerwas
Beard	Franson	Johnson, B.	Newberger	Scott	
Benson, M.	Garofalo	Kelly	Nornes	Swedzinski	
Cornish	Green	Kieffer	O'Driscoll	Theis	
Daudt	Gruenhagen	Kiel	O'Neill	Torkelson	
Davids	Gunther	Kresha	Peppin	Uglen	

Those who voted in the negative were:

Allen	Dorholt	Hornstein	Lillie	Murphy, E.	Schoen
Anzelc	Erhardt	Hortman	Loeffler	Murphy, M.	Selcer
Atkins	Erickson, R.	Huntley	Mahoney	Nelson	Simon
Benson, J.	Falk	Isaacson	Mariani	Newton	Simonson
Bernardy	Faust	Johnson, C.	Marquart	Norton	Slocum
Bly	Fischer	Johnson, S.	Masin	Paymar	Sundin
Brynaert	Freiberg	Kahn	McNamar	Persell	Wagenius
Carlson	Fritz	Laine	Melin	Poppe	Ward, J.A.
Clark	Halverson	Lenczewski	Metsa	Radinovich	Ward, J.E.
Davnie	Hansen	Lesch	Moran	Rosenthal	Yarusso
Dehn, R.	Hausman	Liebling	Morgan	Savick	Spk. Thissen
Dill	Hilstrom	Lien	Mullery	Sawatzky	

The motion did not prevail.

The question recurred on the Marquart motion and the roll was called. There were 71 yeas and 61 nays as follows:

Those who voted in the affirmative were:

Allen	Benson, J.	Brynaert	Davnie	Dorholt	Falk
Anzelc	Bernardy	Carlson	Dehn, R.	Erhardt	Faust
Atkins	Bly	Clark	Dill	Erickson, R.	Fischer

Freiberg	Isaacson	Lillie	Moran	Persell	Simonson
Fritz	Johnson, C.	Loeffler	Morgan	Poppe	Slocum
Halverson	Johnson, S.	Mahoney	Mullery	Radinovich	Sundin
Hansen	Kahn	Mariani	Murphy, E.	Rosenthal	Wagenius
Hausman	Laine	Marquart	Murphy, M.	Savick	Ward, J.A.
Hilstrom	Lenczewski	Masin	Nelson	Sawatzky	Ward, J.E.
Hornstein	Lesch	McNamar	Newton	Schoen	Yarusso
Hortman	Liebling	Melin	Norton	Selcer	Spk. Thissen
Huntley	Lien	Metsa	Paymar	Simon	

Those who voted in the negative were:

Abeler	Dean, M.	Hackbarth	Leidiger	Petersburg	Urdahl
Albright	Dettmer	Hamilton	Lohmer	Pugh	Wills
Anderson, M.	Drazkowski	Hertaus	Loon	Quam	Winkler
Anderson, P.	Erickson, S.	Holberg	Mack	Runbeck	Woodard
Anderson, S.	Fabian	Hoppe	McNamara	Sanders	Zellers
Barrett	FitzSimmons	Howe	Myhra	Schomacker	Zerwas
Beard	Franson	Johnson, B.	Newberger	Scott	
Benson, M.	Garofalo	Kelly	Nornes	Swedzinski	
Cornish	Green	Kieffer	O'Driscoll	Theis	
Daudt	Gruenhagen	Kiel	O'Neill	Torkelson	
Davids	Gunther	Kresha	Peppin	Uglen	

The motion prevailed.

The Speaker resumed the Chair.

H. F. No. 630, A bill for an act relating to education; providing funding and policy for early childhood and family, prekindergarten through grade 12, and adult education, including general education, student accountability, education excellence, charter schools, special education, facilities, technology, nutrition, libraries, accounting, early childhood, self-sufficiency, lifelong learning, state agencies, and forecast adjustments; authorizing rulemaking; requiring reports; appropriating money; amending Minnesota Statutes 2012, sections 13.319, by adding a subdivision; 15.059, subdivision 5b; 120A.20, subdivision 1; 120A.41; 120B.02; 120B.021, subdivision 1; 120B.023; 120B.024; 120B.125; 120B.128; 120B.30, subdivisions 1, 1a; 120B.31, subdivision 1; 120B.35, subdivision 3; 120B.36, subdivision 1; 121A.22, subdivision 2; 121A.2205; 122A.09, subdivision 4; 122A.18, subdivision 2; 122A.23, subdivision 2; 122A.28, subdivision 1; 122A.33, subdivision 3; 122A.61, subdivision 1; 123B.41, subdivision 7; 123B.54; 123B.88, subdivision 22; 123B.92, subdivisions 1, 5; 124D.02, subdivision 1; 124D.095, subdivision 10; 124D.10; 124D.11, subdivision 5; 124D.111, subdivision 1; 124D.119; 124D.122; 124D.128, subdivision 2; 124D.42; 124D.4531, subdivision 1; 124D.52, by adding a subdivision; 124D.531, subdivision 1; 124D.59, subdivision 2; 124D.61; 124D.79, subdivision 1, by adding a subdivision; 125A.0941; 125A.0942; 125A.11, subdivision 1; 125A.27, subdivisions 8, 11, 14; 125A.28; 125A.29; 125A.30; 125A.32; 125A.33; 125A.35, subdivision 1; 125A.36; 125A.43; 125A.76, subdivisions 1, 4a, 8, by adding subdivisions; 125A.78, subdivision 2; 125A.79, subdivisions 1, 5; 126C.01, by adding a subdivision; 126C.05, subdivisions 1, 15; 126C.10, subdivisions 1, 2, 14, 24, 29, 32; 126C.15, subdivisions 1, 2; 126C.17, subdivisions 1, 5, 6; 126C.40, subdivision 6; 126C.44; 126C.48, subdivision 8; 127A.47, subdivision 7; 128D.11, subdivision 3; 134.32; 134.34; 134.351, subdivisions 3, 7; 134.353; 134.354; 134.355, subdivisions 1, 2, 3, 4, 5, 6; 134.36; 260A.02, subdivision 3; 260A.03; 260A.05, subdivision 1; 260A.07, subdivision 1; Laws 2007, chapter 146, article 4, section 12; Laws 2011, First Special Session chapter 11, article 1, section 36, subdivisions 2, as amended, 3, as amended, 4, as amended, 5, as amended, 6, as amended, 7, as amended, 10, as amended; article 2, section 50, subdivisions 2, as amended, 4, as amended, 5, as amended, 6, as amended, 7, as amended, 9, as amended; article 3, section 11,

subdivisions 2, as amended, 3, as amended, 4, as amended, 5, as amended; article 4, section 10, subdivisions 2, as amended, 3, as amended, 4, as amended, 6, as amended; article 5, section 12, subdivisions 2, as amended, 3, as amended, 4, as amended; article 6, section 2, subdivisions 2, as amended, 3, as amended, 5, as amended; article 7, section 2, subdivisions 2, as amended, 3, as amended, 4, as amended, 8, as amended; article 8, section 2, subdivisions 2, as amended, 3, as amended; article 9, section 3, subdivision 2, as amended; proposing coding for new law in Minnesota Statutes, chapters 120B; 121A; 124D; 126C; 127A; proposing coding for new law as Minnesota Statutes, chapter 16F; repealing Minnesota Statutes 2012, sections 124D.454, subdivisions 3, 10, 11; 125A.35, subdivisions 4, 5; 125A.76, subdivisions 2, 4, 5, 7; 125A.79, subdivisions 6, 7; 126C.17, subdivision 13; Minnesota Rules, parts 3501.0010; 3501.0020; 3501.0030, subparts 1, 2, 3, 4, 5, 6, 7, 9, 10, 11, 12, 13, 14, 15, 16; 3501.0040; 3501.0050; 3501.0060; 3501.0090; 3501.0100; 3501.0110; 3501.0120; 3501.0130; 3501.0140; 3501.0150; 3501.0160; 3501.0170; 3501.0180; 3501.0200; 3501.0210; 3501.0220; 3501.0230; 3501.0240; 3501.0250; 3501.0270; 3501.0280, subparts 1, 2; 3501.0290; 3501.0505; 3501.0510; 3501.0515; 3501.0520; 3501.0525; 3501.0530; 3501.0535; 3501.0540; 3501.0545; 3501.0550; 3501.1000; 3501.1020; 3501.1030; 3501.1040; 3501.1050; 3501.1110; 3501.1120; 3501.1130; 3501.1140; 3501.1150; 3501.1160; 3501.1170; 3501.1180; 3501.1190.

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

The question was taken on the repassage of the bill and the roll was called. There were 78 yeas and 56 nays as follows:

Those who voted in the affirmative were:

Abeler	Dehn, R.	Hilstrom	Lillie	Murphy, M.	Selcer
Allen	Dill	Hornstein	Loeffler	Nelson	Simon
Anzelc	Dorholt	Hortman	Mahoney	Newton	Simonson
Atkins	Erhardt	Huntley	Mariani	Norton	Slocum
Barrett	Erickson, R.	Isaacson	Marquart	Paymar	Sundin
Benson, J.	Falk	Johnson, C.	Masin	Pelowski	Uglem
Bernardy	Faust	Johnson, S.	McNamar	Persell	Urdahl
Bly	Fischer	Kahn	Melin	Poppe	Wagenius
Brynaert	Freiberg	Laine	Metsa	Radinovich	Ward, J.A.
Carlson	Fritz	Lenczewski	Moran	Rosenthal	Ward, J.E.
Clark	Halverson	Lesch	Morgan	Savick	Winkler
Davids	Hansen	Liebling	Mullery	Sawatzky	Yarusso
Davnie	Hausman	Lien	Murphy, E.	Schoen	Spk. Thissen

Those who voted in the negative were:

Albright	Drazkowski	Hamilton	Leidiger	O'Neill	Theis
Anderson, M.	Erickson, S.	Hertaus	Lohmer	Peppin	Torkelson
Anderson, P.	Fabian	Holberg	Loon	Petersburg	Wills
Anderson, S.	FitzSimmons	Hoppe	Mack	Pugh	Woodard
Beard	Franson	Howe	McDonald	Quam	Zellers
Benson, M.	Garofalo	Johnson, B.	McNamara	Runbeck	Zerwas
Cornish	Green	Kelly	Myhra	Sanders	
Daudt	Gruenhagen	Kieffer	Newberger	Schomacker	
Dean, M.	Gunther	Kiel	Nornes	Scott	
Dettmer	Hackbarth	Kresha	O'Driscoll	Swedzinski	

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

**MESSAGES FROM THE SENATE, Continued**

The following messages were received from the Senate:

Mr. Speaker:

I hereby announce the passage by the Senate of the following House File, herewith returned:

H. F. No. 392, A bill for an act relating to judiciary; modifying provisions governing records in juvenile court proceedings; amending Minnesota Statutes 2012, section 260B.171, by adding a subdivision.

JOANNE M. ZOFF, Secretary of the Senate

Mr. Speaker:

I hereby announce the passage by the Senate of the following House File, herewith returned:

H. F. No. 946, A bill for an act relating to public safety; providing immunity for underage possession or consumption of alcohol for a person contacting 911 to seek assistance for another; amending Minnesota Statutes 2012, section 340A.503, by adding a subdivision.

JOANNE M. ZOFF, Secretary of the Senate

Mr. Speaker:

I hereby announce the passage by the Senate of the following House File, herewith returned:

H. F. No. 1112, A bill for an act relating to business organizations; modifying certain duties and responsibilities of the secretary of state; providing a standard of conduct for directors of certain cooperatives; amending Minnesota Statutes 2012, sections 5.002; 308B.215, subdivision 1; 321.0809; 321.0906; 321.1206; 323A.1102; 333.055, subdivision 2; 333.22, subdivision 2; 336.9-531; 336A.14; proposing coding for new law in Minnesota Statutes, chapter 308A.

JOANNE M. ZOFF, Secretary of the Senate

Mr. Speaker:

I hereby announce the passage by the Senate of the following House File, herewith returned:

H. F. No. 1117, A bill for an act relating to human services; modifying provisions related to chemical and mental health and human services licensing; establishing methadone treatment program standards; modifying drug treatment provisions; adding to the list of Schedule I controlled substances; amending Minnesota Statutes 2012, sections 152.01, subdivision 5a; 152.02, subdivision 2; 152.126, subdivision 6; 254B.04, by adding a subdivision; proposing coding for new law in Minnesota Statutes, chapter 245A.

JOANNE M. ZOFF, Secretary of the Senate

Mr. Speaker:

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

H. F. No. 976, A bill for an act relating to state government; appropriating money for environment, natural resources, and agriculture; modifying and providing for certain fees; modifying and providing for disposition of certain revenue; creating accounts; modifying payment of certain costs; modifying grant programs; providing for agricultural water quality certification; modifying Minnesota Noxious Weed Law; modifying pesticide control; modifying animal waste technician provisions; modifying certain renewable energy and biofuel provisions; modifying bonding requirements for grain buyers and grain storage; making technical changes; modifying certain permit requirements; providing for federal law compliance; providing for certain easements; establishing pollinator habitat program; modifying state trails; modifying all-terrain vehicle operating provisions; modifying State Timber Act; modifying water use requirements; modifying certain park boundaries; modifying reporting requirements; modifying Petroleum Tank Release Cleanup Act; providing for silica sand mining model standards and technical assistance; establishing criteria for wastewater treatment system projects; providing for wastewater laboratory certification; providing for product stewardship programs; modifying Minnesota Power Plant Siting Act; providing for sanitary districts; requiring groundwater sustainability recommendations; requiring rulemaking; amending Minnesota Statutes 2012, sections 17.03, subdivision 3; 17.1015; 17.118, subdivision 2; 18.77, subdivisions 3, 4, 10, 12; 18.78, subdivision 3; 18.79, subdivisions 6, 13; 18.82, subdivision 1; 18.91, subdivisions 1, 2; 18B.01, by adding a subdivision; 18B.065, subdivision 2a; 18B.07, subdivisions 4, 5, 7; 18B.26, subdivision 3; 18B.305; 18B.316, subdivisions 1, 3, 4, 8, 9; 18B.37, subdivision 4; 18C.430; 18C.433, subdivision 1; 31.94; 41A.10, subdivision 2, by adding a subdivision; 41A.105, subdivisions 1a, 3, 5; 41A.12, by adding a subdivision; 41B.04, subdivision 9; 41D.01, subdivision 4; 84.027, by adding a subdivision; 84.82, by adding a subdivision; 84.922, by adding a subdivision; 84.9256, subdivision 1; 84.928, subdivision 1; 84D.108, subdivision 2; 85.015, subdivision 13; 85.052, subdivision 6; 85.054, by adding a subdivision; 85.055, subdivisions 1, 2; 85.42; 89.0385; 89.17; 90.01, subdivisions 4, 5, 6, 8, 11; 90.031, subdivision 4; 90.041, subdivisions 2, 5, 6, 9, by adding subdivisions; 90.045; 90.061, subdivision 8; 90.101, subdivision 1; 90.121; 90.145; 90.151, subdivisions 1, 2, 3, 4, 6, 7, 8, 9; 90.161; 90.162; 90.171; 90.181, subdivision 2; 90.191, subdivision 1; 90.193; 90.195; 90.201, subdivision 2a; 90.211; 90.221; 90.252, subdivision 1; 90.301, subdivisions 2, 4; 90.41, subdivision 1; 92.50; 93.17, subdivision 1; 93.1925, subdivision 2; 93.25, subdivision 2; 93.285, subdivision 3; 93.46, by adding a subdivision; 93.481, subdivisions 3, 5, by adding subdivisions; 93.482; 97A.401, subdivision 3; 103G.265, subdivisions 2, 3; 103G.271, subdivisions 1, 4, 6; 103G.282; 103G.287, subdivisions 1, 4, 5; 103G.615, subdivision 2; 103I.205, subdivision 1; 103I.601, by adding a subdivision; 114D.50, subdivision 4; 115A.1320, subdivision 1; 115B.20, subdivision 6; 115B.28, subdivision 1; 115C.02, subdivision 4; 115C.08, subdivision 4, by adding a subdivision; 115D.10; 116.48, subdivision 6; 116C.03, subdivisions 2, 4, 5; 116D.04, by adding a subdivision; 116J.437, subdivision 1; 168.1296, subdivision 1; 216E.12, subdivision 4; 223.17, by adding a subdivision; 232.22, by adding a subdivision; 239.051, by adding subdivisions; 239.791, subdivisions 1, 2a, 2b; 239.7911; 275.066; 296A.01, subdivision 19, by adding a subdivision; 473.846; Laws 2012, chapter 249, section 11; proposing coding for new law in Minnesota Statutes, chapters 17; 18; 84; 90; 93; 115; 115A; 116C; proposing coding for new law as Minnesota Statutes, chapter 442A; repealing Minnesota Statutes 2012, sections 18.91, subdivisions 3, 5; 18B.07, subdivision 6; 90.163; 90.173; 90.41, subdivision 2; 103G.265, subdivision 2a; 115.18, subdivisions 1, 3, 4, 5, 6, 7, 8, 9, 10; 115.19; 115.20; 115.21; 115.22; 115.23; 115.24; 115.25; 115.26; 115.27; 115.28; 115.29; 115.30; 115.31; 115.32; 115.33; 115.34; 115.35; 115.36; 115.37; 239.791, subdivision 1a; Minnesota Rules, parts 7021.0010, subparts 1, 2, 4, 5; 7021.0020; 7021.0030; 7021.0040; 7021.0050, subpart 5; 9210.0300; 9210.0310; 9210.0320; 9210.0330; 9210.0340; 9210.0350; 9210.0360; 9210.0370; 9210.0380; 9220.0530, subpart 6.

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

JOANNE M. ZOFF, Secretary of the Senate

Mr. Speaker:

I hereby announce the passage by the Senate of the following Senate File, herewith transmitted:

S. F. No. 629.

JOANNE M. ZOFF, Secretary of the Senate

### FIRST READING OF SENATE BILLS

S. F. No. 629, A bill for an act relating to counties; providing a process for making certain county offices appointive in Jackson, Lake, Clay, Kandiyohi, and Lyon Counties.

The bill was read for the first time.

Dill moved that S. F. No. 629 and H. F. No. 919, now on the General Register, be referred to the Chief Clerk for comparison. The motion prevailed.

### CALENDAR FOR THE DAY

S. F. No. 778 was reported to the House.

### MOTION TO LAY ON THE TABLE

Daudt moved that S. F. No. 778 be laid on the table. The motion did not prevail.

Abeler, Huntley and Norton were excused for the remainder of today's session.

Franson moved to amend S. F. No. 778, the fifth engrossment, as follows:

Page 3, line 5, after the period, insert "The Minnesota Licensed Family Child Care Association or a similar trade or professional association may seek to be certified as the exclusive representative under this section."

Page 6, line 23, after the period, insert "Accra Care or other similar organizations may seek to be certified as the exclusive representative under this section."

A roll call was requested and properly seconded.

The question was taken on the Franson amendment and the roll was called. There were 61 yeas and 69 nays as follows:

Those who voted in the affirmative were:

Albright	Anderson, S.	Benson, M.	Dauids	Drazkowski	FitzSimmons
Anderson, M.	Barrett	Cornish	Dean, M.	Erickson, S.	Franson
Anderson, P.	Beard	Daudt	Dettmer	Fabian	Garofalo



Green	Howe	Loon	O'Neill	Schomacker	Woodard
Gruenhagen	Johnson, B.	Mack	Pelowski	Scott	Zellers
Gunther	Kelly	McDonald	Peppin	Swedzinski	Zerwas
Hackbarth	Kieffer	McNamara	Petersburg	Theis	
Hamilton	Kiel	Myhra	Pugh	Torkelson	
Hertaus	Kresha	Newberger	Quam	Uglen	
Holberg	Leidiger	Nornes	Runbeck	Urdahl	
Hoppe	Lohmer	O'Driscoll	Sanders	Wills	

Those who voted in the negative were:

Allen	Dorholt	Hornstein	Mahoney	Nelson	Simonson
Anzelc	Erhardt	Hortman	Mariani	Newton	Slocum
Atkins	Erickson, R.	Isaacson	Marquart	Paymar	Sundin
Benson, J.	Falk	Johnson, C.	Masin	Persell	Wagenius
Bernardy	Faust	Johnson, S.	McNamar	Poppe	Ward, J.A.
Bly	Fischer	Kahn	Melin	Radinovich	Ward, J.E.
Brynaert	Freiberg	Laine	Metsa	Rosenthal	Winkler
Carlson	Fritz	Lenczewski	Moran	Savick	Yarusso
Clark	Halverson	Lesch	Morgan	Sawatzky	Spk. Thissen
Davnie	Hansen	Lien	Mullery	Schoen	
Dehn, R.	Hausman	Lillie	Murphy, E.	Selcer	
Dill	Hilstrom	Loeffler	Murphy, M.	Simon	

The motion did not prevail and the amendment was not adopted.

Franson moved to amend S. F. No. 778, the fifth engrossment, as follows:

Page 3, after line 36, insert:

"Subd. 11. **Rights of other organizations.** Nothing in this section affects the rights of a provider-managed organization or other organization that is not the exclusive representative to form and to represent providers on matters relating to regulations and policy."

Page 6, after line 32, insert:

"Subd. 11. **Rights of other organizations.** Nothing in this section affects the rights of a provider-managed organization or other organization that is not the exclusive representative to form and to represent providers on matters relating to regulations and policy."

Renumber the subdivisions in sequence

Amend the title accordingly

A roll call was requested and properly seconded.

The question was taken on the Franson amendment and the roll was called. There were 60 yeas and 69 nays as follows:

Those who voted in the affirmative were:

Albright	Anderson, S.	Benson, M.	Davids	Drazkowski	FitzSimmons
Anderson, M.	Barrett	Cornish	Dean, M.	Erickson, S.	Franson
Anderson, P.	Beard	Daudt	Dettmer	Fabian	Garofalo

Green	Hoppe	Leidiger	Newberger	Quam	Torkelson
Gruenhagen	Howe	Lohmer	Nornes	Runbeck	Uglen
Gunther	Johnson, B.	Loon	O'Driscoll	Sanders	Urdahl
Hackbarth	Kelly	Mack	O'Neill	Schomacker	Wills
Hamilton	Kieffer	McDonald	Peppin	Scott	Woodard
Hertaus	Kiel	McNamara	Petersburg	Swedzinski	Zellers
Holberg	Kresha	Myhra	Pugh	Theis	Zerwas

Those who voted in the negative were:

Allen	Dorholt	Hortman	Mariani	Newton	Simonson
Anzelc	Erhardt	Isaacson	Marquart	Paymar	Slocum
Atkins	Erickson, R.	Johnson, C.	Masin	Pelowski	Sundin
Benson, J.	Falk	Johnson, S.	McNamar	Persell	Wagenius
Bernardy	Fischer	Kahn	Melin	Poppe	Ward, J.A.
Bly	Freiberg	Laine	Metsa	Radinovich	Ward, J.E.
Brynaert	Fritz	Lenczewski	Moran	Rosenthal	Winkler
Carlson	Halverson	Lesch	Morgan	Savick	Yarusso
Clark	Hansen	Lien	Mullery	Sawatzky	Spk. Thissen
Davnie	Hausman	Lillie	Murphy, E.	Schoen	
Dehn, R.	Hilstrom	Loeffler	Murphy, M.	Selcer	
Dill	Hornstein	Mahoney	Nelson	Simon	

The motion did not prevail and the amendment was not adopted.

The Speaker called Hortman to the Chair.

Franson moved to amend S. F. No. 778, the fifth engrossment, as follows:

Page 3, line 1, after the period, insert:

"Upon receipt of a petition to the commissioner signed by at least 500 family day care providers, the commissioner must provide the same list to an organization working on behalf of providers not wishing to be represented."

Page 3, line 2, delete "employee"

Page 6, line 14, after the period, insert:

"Upon receipt of a petition to the commissioner signed by at least 500 individual providers, the commissioner must provide the same list to an organization working on behalf of providers not wishing to be represented."

Page 6, line 20, delete "employee"

A roll call was requested and properly seconded.

The question was taken on the Franson amendment and the roll was called. There were 60 yeas and 70 nays as follows:

Those who voted in the affirmative were:

Albright	Anderson, S.	Benson, M.	Dauids	Drazkowski	FitzSimmons
Anderson, M.	Barrett	Cornish	Dean, M.	Erickson, S.	Franson
Anderson, P.	Beard	Daudt	Dettmer	Fabian	Garofalo

Green	Hoppe	Leidiger	Newberger	Quam	Torkelson
Gruenhagen	Howe	Lohmer	Nornes	Runbeck	Uglem
Gunther	Johnson, B.	Loon	O'Driscoll	Sanders	Urdahl
Hackbarth	Kelly	Mack	O'Neill	Schomacker	Wills
Hamilton	Kieffer	McDonald	Peppin	Scott	Woodard
Hertaus	Kiel	McNamara	Petersburg	Swedzinski	Zellers
Holberg	Kresha	Myhra	Pugh	Theis	Zerwas

Those who voted in the negative were:

Allen	Dorholt	Hornstein	Mahoney	Nelson	Simon
Anzelc	Erhardt	Hortman	Mariani	Newton	Simonson
Atkins	Erickson, R.	Isaacson	Marquart	Paymar	Slocum
Benson, J.	Falk	Johnson, C.	Masin	Pelowski	Sundin
Bernardy	Faust	Johnson, S.	McNamar	Persell	Wagenius
Bly	Fischer	Kahn	Melin	Poppe	Ward, J.A.
Brynaert	Freiberg	Laine	Metsa	Radinovich	Ward, J.E.
Carlson	Fritz	Lenczewski	Moran	Rosenthal	Winkler
Clark	Halverson	Lesch	Morgan	Savick	Yarusso
Davnie	Hansen	Lien	Mullery	Sawatzky	Spk. Thissen
Dehn, R.	Hausman	Lillie	Murphy, E.	Schoen	
Dill	Hilstrom	Loeffler	Murphy, M.	Selcer	

The motion did not prevail and the amendment was not adopted.

Anderson, S., moved to amend S. F. No. 778, the fifth engrossment, as follows:

Page 3, line 11, after the period, insert "An employee organization shall be certified as the exclusive representative if a majority of family child care providers eligible to vote in the election vote to certify the employee organization as the exclusive representative."

Page 6, line 31, after the period, insert "An employee organization shall be certified as the exclusive representative if a majority of individual providers eligible to vote in the election vote to certify the employee organization as the exclusive representative."

A roll call was requested and properly seconded.

The question was taken on the Anderson, S., amendment and the roll was called. There were 61 yeas and 70 nays as follows:

Those who voted in the affirmative were:

Albright	Dettmer	Hamilton	Liebling	Peppin	Uglem
Anderson, M.	Drazkowski	Hertaus	Lohmer	Petersburg	Urdahl
Anderson, P.	Erickson, S.	Holberg	Loon	Pugh	Wills
Anderson, S.	Fabian	Hoppe	Mack	Quam	Woodard
Barrett	FitzSimmons	Howe	McDonald	Runbeck	Zellers
Beard	Franson	Johnson, B.	McNamara	Sanders	Zerwas
Benson, M.	Garofalo	Kelly	Myhra	Schomacker	
Cornish	Green	Kieffer	Newberger	Scott	
Daudt	Gruenhagen	Kiel	Nornes	Swedzinski	
Davids	Gunther	Kresha	O'Driscoll	Theis	
Dean, M.	Hackbarth	Leidiger	O'Neill	Torkelson	

Those who voted in the negative were:

Allen	Dorholt	Hornstein	Mahoney	Nelson	Simon
Anzelc	Erhardt	Hortman	Mariani	Newton	Simonson
Atkins	Erickson, R.	Isaacson	Marquart	Paymar	Slocum
Benson, J.	Falk	Johnson, C.	Masin	Pelowski	Sundin
Bernardy	Faust	Johnson, S.	McNamar	Persell	Wagenius
Bly	Fischer	Kahn	Melin	Poppe	Ward, J.A.
Brynaert	Freiberg	Laine	Metsa	Radinovich	Ward, J.E.
Carlson	Fritz	Lenczewski	Moran	Rosenthal	Winkler
Clark	Halverson	Lesch	Morgan	Savick	Yarusso
Davnie	Hansen	Lien	Mullery	Sawatzky	Spk. Thissen
Dehn, R.	Hausman	Lillie	Murphy, E.	Schoen	
Dill	Hilstrom	Loeffler	Murphy, M.	Selcer	

The motion did not prevail and the amendment was not adopted.

The Speaker resumed the Chair.

Anderson, S., moved to amend S. F. No. 778, the fifth engrossment, as follows:

Page 3, line 12, after the period, insert "A decertification election may be initiated in the same manner as a certification election."

Page 6, line 32, after the period, insert "A decertification election may be initiated in the same manner as a certification election."

A roll call was requested and properly seconded.

The question was taken on the Anderson, S., amendment and the roll was called. There were 60 yeas and 71 nays as follows:

Those who voted in the affirmative were:

Albright	Dean, M.	Gunther	Kiel	Nornes	Scott
Anderson, M.	Dettmer	Hackbarth	Kresha	O'Driscoll	Swedzinski
Anderson, P.	Drazkowski	Hamilton	Leidiger	O'Neill	Theis
Anderson, S.	Erickson, S.	Hertaus	Lohmer	Peppin	Torkelson
Barrett	Fabian	Holberg	Loon	Petersburg	Uglen
Beard	FitzSimmons	Hoppe	Mack	Pugh	Urdahl
Benson, M.	Franson	Howe	McDonald	Quam	Wills
Cornish	Garofalo	Johnson, B.	McNamara	Runbeck	Woodard
Daudt	Green	Kelly	Myhra	Sanders	Zellers
Davids	Gruenhagen	Kieffer	Newberger	Schomacker	Zerwas

Those who voted in the negative were:

Allen	Benson, J.	Brynaert	Davnie	Dorholt	Falk
Anzelc	Bernardy	Carlson	Dehn, R.	Erhardt	Faust
Atkins	Bly	Clark	Dill	Erickson, R.	Fischer

Freiberg	Johnson, C.	Loeffler	Morgan	Poppe	Slocum
Fritz	Johnson, S.	Mahoney	Mullery	Radinovich	Sundin
Halverson	Kahn	Mariani	Murphy, E.	Rosenthal	Wagenius
Hansen	Laine	Marquart	Murphy, M.	Savick	Ward, J.A.
Hausman	Lenczewski	Masin	Nelson	Sawatzky	Ward, J.E.
Hilstrom	Lesch	McNamar	Newton	Schoen	Winkler
Hornstein	Liebling	Melin	Paymar	Selcer	Yarusso
Hortman	Lien	Metsa	Pelowski	Simon	Spk. Thissen
Isaacson	Lillie	Moran	Persell	Simonson	

The motion did not prevail and the amendment was not adopted.

#### MOTION TO FIX TIME TO CONVENE

Murphy, E., moved that when the House adjourns today it adjourn until 12:00 noon, Sunday, May 19, 2013.

A roll call was requested and properly seconded.

The question was taken on the Murphy, E., motion and the roll was called. There were 74 yeas and 51 nays as follows:

Those who voted in the affirmative were:

Allen	Erickson, R.	Hortman	Mahoney	Nornes	Slocum
Anzelc	Erickson, S.	Isaacson	Mariani	Paymar	Sundin
Benson, J.	Falk	Johnson, C.	Marquart	Pelowski	Urdahl
Bernardy	Faust	Johnson, S.	Masin	Persell	Wagenius
Bly	Fischer	Kahn	McNamar	Poppe	Ward, J.A.
Brynaert	Freiberg	Kieffer	Melin	Radinovich	Ward, J.E.
Carlson	Fritz	Laine	Metsa	Rosenthal	Winkler
Clark	Halverson	Lenczewski	Moran	Savick	Yarusso
Davnie	Hamilton	Lesch	Mullery	Sawatzky	Spk. Thissen
Dehn, R.	Hansen	Liebling	Murphy, E.	Schoen	
Dill	Hausman	Lien	Murphy, M.	Selcer	
Dorholt	Hilstrom	Lillie	Nelson	Simon	
Erhardt	Hornstein	Loeffler	Newton	Simonson	

Those who voted in the negative were:

Albright	Dean, M.	Hertaus	Lohmer	Peppin	Torkelson
Anderson, M.	Drazkowski	Holberg	Loon	Pugh	Uglen
Anderson, P.	Fabian	Hoppe	Mack	Quam	Wills
Anderson, S.	FitzSimmons	Howe	McDonald	Runbeck	Woodard
Barrett	Franson	Johnson, B.	McNamara	Sanders	Zellers
Beard	Green	Kelly	Myhra	Schomacker	Zerwas
Benson, M.	Gruenhagen	Kiel	Newberger	Scott	
Daudt	Gunther	Kresha	O'Driscoll	Swedzinski	
Davids	Hackbarth	Leidiger	O'Neill	Theis	

The motion prevailed.

Franson moved to amend S. F. No. 778, the fifth engrossment, as follows:

Page 3, line 32, delete "or"

Page 3, after line 32, insert:

"(3) the right of any family child care provider to communicate on their own behalf with a state agency or with the legislature; or"

Page 3, line 33, delete "(3)" and insert "(4)"

Page 5, line 22, after the period, insert "Nothing in this section limits the right of any individual provider to communicate on their own behalf with a state agency or with the legislature."

A roll call was requested and properly seconded.

The question was taken on the Franson amendment and the roll was called. There were 60 yeas and 71 nays as follows:

Those who voted in the affirmative were:

Albright	Dean, M.	Gunther	Kiel	Nornes	Scott
Anderson, M.	Dettmer	Hackbarth	Kresha	O'Driscoll	Swedzinski
Anderson, P.	Drazkowski	Hamilton	Leidiger	O'Neill	Theis
Anderson, S.	Erickson, S.	Hertaus	Lohmer	Peppin	Torkelson
Barrett	Fabian	Holberg	Loon	Petersburg	Uglem
Beard	FitzSimmons	Hoppe	Mack	Pugh	Urdahl
Benson, M.	Franson	Howe	McDonald	Quam	Wills
Cornish	Garofalo	Johnson, B.	McNamara	Runbeck	Woodard
Daudt	Green	Kelly	Myhra	Sanders	Zellers
Davids	Gruenhagen	Kieffer	Newberger	Schomacker	Zerwas

Those who voted in the negative were:

Allen	Dorholt	Hornstein	Loeffler	Murphy, M.	Selcer
Anzelc	Erhardt	Hortman	Mahoney	Nelson	Simon
Atkins	Erickson, R.	Isaacson	Mariani	Newton	Simonson
Benson, J.	Falk	Johnson, C.	Marquart	Paymar	Slocum
Bernardy	Faust	Johnson, S.	Masin	Pelowski	Sundin
Bly	Fischer	Kahn	McNamar	Persell	Wagenius
Brynaert	Freiberg	Laine	Melin	Poppe	Ward, J.A.
Carlson	Fritz	Lenczewski	Metsa	Radinovich	Ward, J.E.
Clark	Halverson	Lesch	Moran	Rosenthal	Winkler
Davnie	Hansen	Liebling	Morgan	Savick	Yarusso
Dehn, R.	Hausman	Lien	Mullery	Sawatzky	Spk. Thissen
Dill	Hilstrom	Lillie	Murphy, E.	Schoen	

The motion did not prevail and the amendment was not adopted.

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

Anderson, S., moved to amend S. F. No. 778, the fifth engrossment, as follows:

Page 3, line 12, after the period, insert "A new certification election must be conducted if more than five percent of the number of family child care providers in the unit at the time of the last certification are no longer in the unit, or if more than five percent of the family child care providers in the unit were not in the unit at the time of the last certification."

Page 6, line 32, after the period, insert "A new certification election must be conducted if more than five percent of the number of individual providers in the unit at the time of the last certification are no longer in the unit, or if more than five percent of the individual providers in the unit were not in the unit at the time of the last certification."

A roll call was requested and properly seconded.

The question was taken on the Anderson, S., amendment and the roll was called. There were 60 yeas and 70 nays as follows:

Those who voted in the affirmative were:

Albright	Dean, M.	Gunther	Kiel	Nornes	Scott
Anderson, M.	Dettmer	Hackbarth	Kresha	O'Driscoll	Swedzinski
Anderson, P.	Drazkowski	Hamilton	Leidiger	O'Neill	Theis
Anderson, S.	Erickson, S.	Hertaus	Lohmer	Peppin	Torkelson
Barrett	Fabian	Holberg	Loon	Petersburg	Uglen
Beard	FitzSimmons	Hoppe	Mack	Pugh	Urdahl
Benson, M.	Franson	Howe	McDonald	Quam	Wills
Cornish	Garofalo	Johnson, B.	McNamara	Runbeck	Woodard
Daudt	Green	Kelly	Myhra	Sanders	Zellers
Davids	Gruenhagen	Kieffer	Newberger	Schomacker	Zerwas

Those who voted in the negative were:

Allen	Dorholt	Hortman	Mahoney	Nelson	Simon
Anzelc	Erhardt	Isaacson	Mariani	Newton	Simonson
Atkins	Erickson, R.	Johnson, C.	Marquart	Paymar	Slocum
Benson, J.	Falk	Johnson, S.	Masin	Pelowski	Sundin
Bernardy	Fischer	Kahn	McNamar	Persell	Wagenius
Bly	Freiberg	Laine	Melin	Poppe	Ward, J.A.
Brynaert	Fritz	Lenczewski	Metsa	Radinovich	Ward, J.E.
Carlson	Halverson	Lesch	Moran	Rosenthal	Winkler
Clark	Hansen	Liebling	Morgan	Savick	Yarusso
Davnie	Hausman	Lien	Mullery	Sawatzky	Spk. Thissen
Dehn, R.	Hilstrom	Lillie	Murphy, E.	Schoen	
Dill	Hornstein	Loeffler	Murphy, M.	Selcer	

The motion did not prevail and the amendment was not adopted.

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

The Speaker called Winkler to the Chair.

Anderson, S., moved to amend S. F. No. 778, the fifth engrossment, as follows:

Page 3, after line 36, insert:

"Subd. 11. **Unfair labor practices.** Section 179A.13 shall apply to employee organizations or family child care providers, their agents, or representatives, and to public employers of family child care providers, their agents, and representatives."

Page 6, after line 32, insert:

"Subd. 11. **Unfair labor practices.** Section 179A.13 shall apply to employee organizations of individual providers, their agents, or representatives, and to public employers of individual providers, their agents, and representatives."

A roll call was requested and properly seconded.

The question was taken on the Anderson, S., amendment and the roll was called. There were 60 yeas and 69 nays as follows:

Those who voted in the affirmative were:

Albright	Dean, M.	Gunther	Kiel	Nornes	Scott
Anderson, M.	Dettmer	Hackbarth	Kresha	O'Driscoll	Swedzinski
Anderson, P.	Drazkowski	Hamilton	Leidiger	O'Neill	Theis
Anderson, S.	Erickson, S.	Hertaus	Lohmer	Peppin	Torkelson
Barrett	Fabian	Holberg	Loon	Petersburg	Uglem
Beard	FitzSimmons	Hoppe	Mack	Pugh	Urdahl
Benson, M.	Franson	Howe	McDonald	Quam	Wills
Cornish	Garofalo	Johnson, B.	McNamara	Runbeck	Woodard
Daudt	Green	Kelly	Myhra	Sanders	Zellers
Davids	Gruenhagen	Kieffer	Newberger	Schomacker	Zerwas

Those who voted in the negative were:

Allen	Dorholt	Hortman	Mahoney	Nelson	Simonson
Anzelc	Erhardt	Isaacson	Mariani	Newton	Slocum
Atkins	Erickson, R.	Johnson, C.	Marquart	Paymar	Sundin
Benson, J.	Falk	Johnson, S.	Masin	Persell	Wagenius
Bernardy	Fischer	Kahn	McNamar	Poppe	Ward, J.A.
Bly	Freiberg	Laine	Melin	Radinovich	Ward, J.E.
Brynaert	Fritz	Lenczewski	Metsa	Rosenthal	Winkler
Carlson	Halverson	Lesch	Moran	Savick	Yarusso
Clark	Hansen	Liebling	Morgan	Sawatzky	Spk. Thissen
Davnie	Hausman	Lien	Mullery	Schoen	
Dehn, R.	Hilstrom	Lillie	Murphy, E.	Selcer	
Dill	Hornstein	Loeffler	Murphy, M.	Simon	

The motion did not prevail and the amendment was not adopted.



The Speaker resumed the Chair.

Mack moved to amend S. F. No. 778, the fifth engrossment, as follows:

Page 3, after line 36, insert:

"Subd. 11. **Recission of union membership.** A family child care provider may rescind membership in an employee organization certified under this section at any time."

Page 6, after line 32, insert:

"Subd. 11. **Recission of union membership.** An individual provider may rescind membership in an employee organization certified under this section at any time"

Re-number the subdivisions in sequence

Amend the title accordingly

A roll call was requested and properly seconded.

#### LAY ON THE TABLE

Murphy, E., moved that S. F. No. 778 be laid on the table.

A roll call was requested and properly seconded.

The question was taken on the Murphy, E., motion and the roll was called. There were 111 yeas and 17 nays as follows:

Those who voted in the affirmative were:

Albright	Dorholt	Hertaus	Loeffler	Nelson	Simon
Allen	Erhardt	Hilstrom	Lohmer	Newton	Simonson
Anderson, S.	Erickson, R.	Hornstein	Loon	Nornes	Slocum
Anzelc	Erickson, S.	Hortman	Mack	O'Driscoll	Sundin
Atkins	Falk	Howe	Mahoney	O'Neill	Swedzinski
Barrett	Fischer	Isaacson	Mariani	Paymar	Theis
Beard	FitzSimmons	Johnson, C.	Marquart	Peppin	Uglen
Benson, J.	Franson	Johnson, S.	Masin	Persell	Wagenius
Bernardy	Freiberg	Kahn	McDonald	Petersburg	Ward, J.A.
Bly	Fritz	Kieffer	McNamar	Poppe	Ward, J.E.
Brynaert	Garofalo	Kiel	McNamara	Pugh	Wills
Carlson	Green	Kresha	Melin	Quam	Winkler
Clark	Gruenhagen	Laine	Metsa	Rosenthal	Woodard
Cornish	Gunther	Leidiger	Moran	Sanders	Yarusso
Daudt	Hackbarth	Lenczewski	Morgan	Savick	Zerwas
Davnie	Halverson	Lesch	Mullery	Sawatzky	Spk. Thissen
Dehn, R.	Hamilton	Liebling	Murphy, E.	Schoen	
Dettmer	Hansen	Lien	Murphy, M.	Schomacker	
Dill	Hausman	Lillie	Myhra	Selcer	

Those who voted in the negative were:

Anderson, M.	Davids	Fabian	Johnson, B.	Runbeck	Urdahl
Anderson, P.	Dean, M.	Holberg	Kelly	Scott	Zellers
Benson, M.	Drazkowski	Hoppe	Newberger	Torkelson	

The motion prevailed and S. F. No. 778 was laid on the table.

#### ADJOURNMENT

Murphy, E., moved that the House adjourn. The motion prevailed, and the Speaker declared the House stands adjourned until 12:00 noon, Sunday, May 19, 2013.

ALBIN A. MATHIOWETZ, Chief Clerk, House of Representatives