STATE OF MINNESOTA

Journal of the Senate

EIGHTIETH LEGISLATURE

THIRTY-FIFTH DAY

St. Paul, Minnesota, Wednesday, April 9, 1997

The Senate met at 11:45 a.m. and was called to order by the President.

CALL OF THE SENATE

Mr. Betzold imposed a call of the Senate. The Sergeant at Arms was instructed to bring in the absent members.

Prayer was offered by the Chaplain, Rev. Emory K. Dively.

The roll was called, and the following Senators answered to their names:

Anderson	Hanson	Krentz	Novak	Samuelson
Beckman	Higgins	Laidig	Oliver	Scheevel
Belanger	Hottinger	Langseth	Olson	Scheid
Berg	Janezich	Larson	Ourada	Solon
Berglin	Johnson, D.H.	Lesewski	Pappas	Spear
Betzold	Johnson, D.J.	Limmer	Piper	Stevens
Cohen	Johnson, J.B.	Lourey	Pogemiller	Stumpf
Day	Junge	Marty	Price	Ten Eyck
Dille	Kelley, S.P.	Metzen	Ranum	Vickerman
Fischbach	Kelly, R.C.	Moe, R.D.	Robertson	Wiener
Flynn	Kiscaden	Morse	Robling	Wiger
Foley	Kleis	Murphy	Runbeck	
Frederickson	Knutson	Neuville	Sams	

The President declared a quorum present.

The reading of the Journal was dispensed with and the Journal, as printed and corrected, was approved.

MEMBERS EXCUSED

Messrs. Lessard and Terwilliger were excused from the Session of today.

EXECUTIVE AND OFFICIAL COMMUNICATIONS

The following communications were received.

April 8, 1997

The Honorable Allan H. Spear
President of the Senate

Dear President Spear:

It is my honor to inform you that I have received, approved, signed and deposited in the Office of the Secretary of State, S.F. Nos. 504, 624 and 700.

Warmest regards,
Arne H. Carlson, Governor

April 8, 1997

The Honorable Phil Carruthers
Speaker of the House of Representatives

The Honorable Allan H. Spear
President of the Senate

I have the honor to inform you that the following enrolled Acts of the 1997 Session of the State Legislature have been received from the Office of the Governor and are deposited in the Office of the Secretary of State for preservation, pursuant to the State Constitution, Article IV, Section 23:

S.F. No.	H.F. No.	Session Laws Chapter No.	Time and Date Approved 1997	Date Filed 1997
504		21	10:20 a.m. April 8	April 8
624		22	10:25 a.m. April 8	April 8
700		23	10:25 a.m. April 8	April 8
	453	24	10:27 a.m. April 8	April 8
	281	25	10:28 a.m. April 8	April 8
	447	26	10:30 a.m. April 8	April 8

Sincerely,
Joan Anderson Growe
Secretary of State

MESSAGES FROM THE HOUSE

Mr. President:

I have the honor to announce that the House refuses to concur in the Senate amendments to House File No. 117:

H.F. No. 117: A bill for an act relating to commerce; requiring local units of government to license the retail sale of tobacco; providing for mandatory penalties against license holders for sales to minors; amending Minnesota Statutes 1996, section 461.12; proposing coding for new law in Minnesota Statutes, chapter 461.

The House respectfully requests that a Conference Committee of 3 members be appointed thereon.

Rest, Entenza and Goodno have been appointed as such committee on the part of the House.

House File No. 117 is herewith transmitted to the Senate with the request that the Senate appoint a like committee.

Edward A. Burdick, Chief Clerk, House of Representatives

Transmitted April 8, 1997

Ms. Junge moved that the Senate accede to the request of the House for a Conference Committee on H.F. No. 117, and that a Conference Committee of 3 members be appointed by the Subcommittee on Committees on the part of the Senate, to act with a like Conference Committee appointed on the part of the House. The motion prevailed.

REPORTS OF COMMITTEES

SUSPENSION OF RULES

Mr. Moe, R.D. moved that Joint Rule 2.03 be suspended as it relates to the Committee Report on S.F. No. 738. The motion prevailed.

Mr. Moe, R.D. moved that the Committee Reports at the Desk be now adopted, with the exception of the reports on S.F. Nos. 1112, 1634, 1169 and 100. The motion prevailed.

Mr. Vickerman from the Committee on Local and Metropolitan Government, to which was referred

S.F. No. 884: A bill for an act relating to local government; defining the department's classified service under a merged Saint Paul and Ramsey county department of public health; amending Minnesota Statutes 1996, section 383A.288, subdivision 4.

Reports the same back with the recommendation that the bill be amended as follows:

Page 1, after line 7, insert:

"Section 1. Minnesota Statutes 1996, section 383A.288, subdivision 3, is amended to read:

Subd. 3. [ELIGIBILITY FOR COMPETITIVE OPEN EXAMINATIONS.] (a) Competitive open examinations shall, upon public notice, be open to all applicants who meet reasonable job related requirements fixed by the personnel department.

(b) Employees in the classified service with permanent tenure who pass an open competitive examination shall have added to their final examination score one point for each year of permanent tenure up to a maximum of ten points. This credit shall not be used for examinations for supervisory positions. During the term of any joint powers agreement between the city of Saint Paul and Ramsey county joining the city of Saint Paul public health department and the Ramsey county public health department into the Saint Paul-Ramsey county department of public health under the direction of Ramsey county, classified employees of the city of Saint Paul public health department, who pass an open competitive examination will have added to their final examination score one point for each year of permanent tenure in the classified service of the city of Saint Paul, up to a maximum of ten points, in open competitive examinations to fill vacancies in county positions only in the combined Saint Paul-Ramsey county department of public health."

Renumber the sections in sequence

Amend the title as follows:

Page 1, line 6, delete "subdivision" and insert "subdivisions 3 and"

And when so amended the bill do pass. Amendments adopted. Report adopted.

Mr. Vickerman from the Committee on Local and Metropolitan Government, to which was referred

S.F. No. 738: A bill for an act relating to planning; establishing goals for community-based planning; permitting counties and municipalities to prepare community-based plans; requiring the metropolitan council to meet the community-based planning goals; establishing an advisory council to develop the framework for implementing community-based planning; appropriating money; amending Minnesota Statutes 1996, sections 394.24, subdivision 1; and 462.357, subdivision 2; proposing coding for new law in Minnesota Statutes, chapters 4A; 394; 462; and 473.

Reports the same back with the recommendation that the bill be amended as follows:

Delete everything after the enacting clause and insert:

"ARTICLE 1

COMMUNITY-BASED PLANNING

Section 1. [4A.08] [COMMUNITY-BASED PLANNING GOALS.]

Subdivision 1. [GOALS.] The ten goals of community-based planning are as stated in subdivisions 2 to 10.

Subd. 2. [CITIZEN PARTICIPATION.] Develop a community-based planning process with broad citizen participation in order to build local capacity to plan for sustainable development and to benefit from the insights, knowledge, and support of local residents.

Subd. 3. [COOPERATION.] Promote cooperation among communities to work towards the most efficient, planned, and cost-effective delivery of governmental services by, among other means, facilitating cooperative agreements among adjacent communities and to coordinate planning to ensure compatibility of one community's development with development of neighboring communities.

Subd. 4. [ECONOMIC DEVELOPMENT.] Create sustainable economic development strategies and provide economic opportunities throughout the state that will encourage a balanced distribution of growth statewide.

Subd. 5. [PUBLIC INVESTMENT.] Identify the full environmental, social, and economic costs of new development, including infrastructure costs such as transportation, sewers and wastewater treatment, water, schools, recreation, and open space, and plan the funding mechanisms necessary to cover the costs of the infrastructure.

Subd. 6. [LIVABLE COMMUNITY DESIGN.] Strengthen communities by addressing the principles of livable community design, which includes planning for the efficient use of land resources through the use of compact and mixed-use development open spaces, integration of differing housing types to serve all income and age groups, access to public transit, bicycle and pedestrian ways, and enhanced aesthetics and beauty in public spaces.

Subd. 7. [SUSTAINABLE DEVELOPMENT.] Encourage development consistent with the definition of sustainable development in section 4A.07, subdivision 1, and use natural resources and public funds efficiently by directing growth towards areas with existing infrastructure.

Subd. 8. [CONSERVATION.] Consider methods to protect, preserve, and enhance the state's resources, including agricultural land, forests, surface water and groundwater, recreation and open space, scenic areas, and significant historic and archaeological sites.

Subd. 9. [HOUSING.] Provide and preserve an adequate supply of affordable and life-cycle housing.

Subd. 10. [TRANSPORTATION.] Focus on the movement of people and goods, rather than on the movement of automobiles, in transportation planning, and to maximize the efficient use of the transportation infrastructure by increasing the availability and use of appropriate public transit throughout the state through land-use planning and design that makes public transit economically viable and desirable.

Subd. 11. [COMMUNITY IDENTITY.] Permit communities to maintain their unique identities and character consistent with state law.

Sec. 2. [4A.09] [TECHNICAL ASSISTANCE.]

The office shall provide local governments technical and financial assistance in preparing their comprehensive plans to meet the community-based planning goals in section 4A.08.

Sec. 3. [4A.10] [PLAN REVIEW AND COMMENT.]

The office shall review and comment on community-based comprehensive plans prepared by counties, including the community-based comprehensive plans of municipalities and towns that are incorporated into a county's plan, as required in section 394.232, subdivision 3.

Sec. 4. Minnesota Statutes 1996, section 394.23, is amended to read:

394.23 [COMPREHENSIVE PLAN.]

The board ~~shall have~~ has the power and authority to prepare and adopt by ordinance, a comprehensive plan. A comprehensive plan or plans when adopted by ordinance ~~shall~~ must be the basis for official controls adopted under the provisions of sections 394.21 to 394.37.

Sec. 5. [394.232] [COMMUNITY-BASED PLANNING.]

Subdivision 1. [GENERAL.] Each county is encouraged to prepare and implement a community-based comprehensive plan. A community-based comprehensive plan is a comprehensive plan that is consistent with the goals of community-based planning in section 4A.08.

Subd. 2. [NOTICE AND PARTICIPATION.] Notice must be given at the beginning of the community-based comprehensive planning process to the office of strategic and long-range planning, the department of natural resources, the department of agriculture, the department of trade and economic development, the board of soil and water resources, the pollution control agency, the department of transportation, local government units, and local citizens to actively participate in the development of the plan. An agency that is invited to participate in the development of a local plan but declines to do so and fails to participate or to provide written comments during the plan development process waives the right during the office's review and comment period to submit comments, except for comments concerning consistency of the plan with laws and rules administered by the agency. In determining the merit of the agency comment, the office shall consider the involvement of the agency in the development of the plan.

Subd. 3. [COORDINATION.] A county that prepares a community-based comprehensive plan shall coordinate its plan with the plans of its neighbors and its constituent municipalities and towns in order both to prevent its plan from having an adverse impact on other jurisdictions and to complement plans of other jurisdictions. The county's community-based comprehensive plan must incorporate the community-based comprehensive plan of any municipality or town in the county prepared in accordance with section 462.3535. A county may incorporate a municipal or town community-based comprehensive plan by reference.

Subd. 4. [JOINT PLANNING.] Under the joint exercise of powers provisions in section 471.59, a county may establish a joint planning district with other counties, municipalities, and towns, that are geographically contiguous, to adopt a single community-based comprehensive plan for the district. The county may delegate its authority to adopt official controls under this chapter, to the board of the joint planning district.

Subd. 5. [REVIEW AND COMMENT.] (a) The county or joint planning district shall submit its community-based comprehensive plan to the office of strategic and long-range planning for review. The plan is deemed approved 60 days after submittal to the office, unless the office disagrees with the plan as provided in paragraph (c).

(b) The office may not disapprove a community-based comprehensive plan if the office determines that the plan meets the requirements of this section.

(c) If the office disagrees with a community-based comprehensive plan or any elements of the plan, the office shall notify the county or district in writing of the plan deficiencies and suggested changes. Upon receipt of the office's written comments, the county or district has 60 days to revise the community-based comprehensive plan and resubmit it to the office for reconsideration.

(d) If the county or district refuses to revise the plan or the office disagrees with the revised

plan, the office shall within 60 days notify the county that it wishes to initiate the dispute resolution process in chapter 572A.

(e) Within 30 days of notice from the office, the county or joint planning district shall notify the office of its intent to enter the dispute resolution process. If the county or district refuses to enter the dispute resolution process, the county or district shall refund any state grant received for community-based planning activities through the office.

Subd. 6. [PLAN UPDATE.] The county board, or the board of the joint planning district, shall review and update the community-based comprehensive plan periodically, but at least every ten years, and submit the updated plan to the office of strategic and long-range planning for review and comment.

Subd. 7. [CITIZEN ACTION.] No citizen may institute mandamus proceedings against a county under this section to require the county to conform its comprehensive plan to be consistent with the community-based planning goals in section 4A.08.

Sec. 6. Minnesota Statutes 1996, section 394.24, subdivision 1, is amended to read:

Subdivision 1. [ADOPTED BY ORDINANCE.] Official controls which shall further the purpose and objectives of the comprehensive plan and parts thereof shall be adopted by ordinance. The comprehensive plan must provide guidelines for the timing and sequence of the adoption of official controls to ensure planned, orderly, and staged development and redevelopment consistent with the comprehensive plan.

Sec. 7. Minnesota Statutes 1996, section 462.352, subdivision 5, is amended to read:

Subd. 5. [COMPREHENSIVE MUNICIPAL PLAN.] "Comprehensive municipal plan" means a compilation of policy statements, goals, standards, and maps for guiding the physical, social and economic development, both private and public, of the municipality and its environs, including air space and subsurface areas necessary for mined underground space development pursuant to sections 469.135 to 469.141, and may include, but is not limited to, the following: statements of policies, goals, standards, a land use plan, including proposed densities for development, a community facilities plan, a transportation plan, and recommendations for plan execution. A comprehensive plan represents the planning agency's recommendations for the future development of the community.

Sec. 8. Minnesota Statutes 1996, section 462.352, subdivision 6, is amended to read:

Subd. 6. [LAND USE PLAN.] "Land use plan" means a compilation of policy statements, goals, standards, and maps, and action programs for guiding the future development of private and public property. The term includes a plan designating types of uses for the entire municipality as well as a specialized plan showing specific areas or specific types of land uses, such as residential, commercial, industrial, public or semipublic uses or any combination of such uses. A land use plan may also include the proposed densities for development.

Sec. 9. Minnesota Statutes 1996, section 462.352, is amended by adding a subdivision to read:

Subd. 18. [URBAN GROWTH AREA.] "Urban growth area" means the identified area around an urban area within which there is a sufficient supply of developable land for at least a prospective 20-year period, based on demographic forecasts and the time reasonably required to effectively provide municipal services to the identified area.

Sec. 10. [462.3535] [COMMUNITY-BASED PLANNING.]

Subdivision 1. [GENERAL.] Each municipality is encouraged to prepare and implement a community-based comprehensive municipal plan. A community-based comprehensive municipal plan is a comprehensive plan that is consistent with the goals of community-based planning in section 4A.08.

Subd. 2. [COORDINATION.] A municipality that prepares a community-based comprehensive

municipal plan shall coordinate its plan with the plans, if any, of the county and the municipality's neighbors both in order to prevent the plan from having an adverse impact on other jurisdictions and to complement the plans of other jurisdictions. The municipality shall prepare its plan to be incorporated into the county's community-based comprehensive plan, if the county is preparing or has prepared one, and shall otherwise assist and cooperate with the county in its community-based planning.

Subd. 3. [JOINT PLANNING.] Under the joint exercise of powers provisions in section 471.59, a municipality may establish a joint planning district with other municipalities or counties that are geographically contiguous, to adopt a single community-based comprehensive plan for the district. A municipality may delegate its authority to adopt official controls under sections 462.351 to 462.364, to the board of the joint planning district.

Subd. 4. [CITIES; URBAN GROWTH AREAS.] (a) The community-based comprehensive municipal plan for a statutory or home rule charter city, and official controls to implement the plan, must at a minimum, address any urban growth area identified in a county plan and may establish an urban growth area for the urbanized and urbanizing area. The city plan must establish a staged process for boundary adjustment to include the urbanized or urbanizing area within corporate limits as the urban growth area is developed and provided municipal services.

(b) Within the urban growth area, the plan must provide for the staged provision of urban services, including, but not limited to, water, wastewater collection and treatment, and transportation.

Subd. 5. [URBAN GROWTH AREA BOUNDARY ADJUSTMENT PROCESS.] (a) After an urban growth area has been identified in a county or city plan, a city shall negotiate, as part of the comprehensive planning process and in coordination with the county, an orderly annexation agreement with the townships containing the affected unincorporated areas located within the identified urban growth area. The agreement shall contain a boundary adjustment staging plan that establishes a sequencing plan over the subsequent 20-year period for the orderly growth of the city based on its reasonably anticipated development pattern and ability to extend municipal services into designated unincorporated areas located within the identified urban growth area. The city shall include the staging plan agreed upon in the orderly annexation agreement in its comprehensive plan. Upon agreement by the city and town, prior adopted orderly annexation agreements may be included as part of the boundary adjustment plan and comprehensive plan without regard to whether the prior adopted agreement is consistent with this section. When either the city or town requests that an existing orderly annexation agreement affecting unincorporated areas located within an identified or proposed urban growth area be renegotiated, the renegotiated plan shall be consistent with this section.

(b) After a city's community-based comprehensive plan is approved under this section, the orderly annexation agreement shall be filed with the municipal board or its successor agency. Thereafter, the city may orderly annex the part or parts of the designated unincorporated area according to the sequencing plan and conditions contained in the negotiated orderly annexation agreement by submitting a resolution to the municipal board or its successor agency. The resolution shall specify the legal description of the area designated pursuant to the staging plan contained in the agreement, a map showing the new boundary and its relation to the existing city boundary, a description of and schedule for extending municipal services to the area, and a determination that all applicable conditions in the agreement have been satisfied. Within 30 days of receipt of the resolution, the municipal board or its successor shall review the resolution and if it finds that the terms and conditions of the orderly annexation agreement have been met, shall order the annexation. The boundary adjustment shall become effective upon issuance of an order by the municipal board or its successor. The municipal board or its successor shall cause copies of the boundary adjustment order to be mailed to the secretary of state, department of revenue, state demographer, and the department of transportation. No further proceedings under chapter 414 or 572A shall be required to accomplish the boundary adjustment. This section provides the sole method for annexing unincorporated land within an urban growth area, unless the parties agree otherwise.

(c) If a community-based comprehensive plan is updated, the parties shall renegotiate the orderly annexation agreement as needed to incorporate the adjustments and shall refile the agreement with the municipal board or its successor.

Subd. 6. [REVIEW BY ADJACENT MUNICIPALITIES; CONFLICT RESOLUTION.] Before a community-based comprehensive municipal plan is incorporated into the county's plan under section 394.232, subdivision 3, a municipality's community-based comprehensive municipal plan must be coordinated with adjacent municipalities within the county. As soon as practical after the development of a community-based comprehensive municipal plan, the municipality shall provide a copy of the draft plan to adjacent municipalities within the county for review and comment. An adjacent municipality has 30 days after receipt to review the plan and submit written comments.

Subd. 7. [COUNTY REVIEW.] (a) If a city does not plan for growth beyond its current boundaries, the city shall submit its community-based comprehensive municipal plan to the county for review and comment. A county has 60 days after receipt to review the plan and submit written comments to the city. The city may amend its plan based upon the county's comments.

(b) If a town prepares a community-based comprehensive plan, it shall submit the plan to the county for review and comment. As provided in section 394.33, the town plan may not be inconsistent with or less restrictive than the county plan. A county has 60 days after receipt to review the plan and submit written comments to the town. The town may amend its plan based on the county's comment.

Subd. 8. [COUNTY APPROVAL.] (a) If a city plans for growth beyond its current boundaries, the city's proposed community-based comprehensive municipal plan and proposed urban growth area must be reviewed and approved by the county before the plan is incorporated into the county's plan. The county may review and provide comments on any orderly annexation agreement during the same period of review of a comprehensive plan.

(b) Upon receipt by the county of a community-based comprehensive plan submitted by a city for review and approval under this subdivision, the county shall, within 60 days of receipt of a city plan, review and approve the plan in accordance with this subdivision. The county shall review and approve the city plan if it is consistent with the goals stated in section 4A.08.

(c) In the event the county does not approve the plan, the county shall submit its comments to the city within 60 days. The city may, thereafter, amend the plan and resubmit the plan to the county. The county shall have an additional 60 days to review and approve a resubmitted plan. In the event the county and city are unable to come to agreement, either party may initiate the dispute resolution process contained in chapter 572A. Within 30 days of receiving notice that the other party has initiated dispute resolution, the city or county shall send notice of its intent to enter dispute resolution. If the city refuses to enter the dispute resolution process, it must refund any grant received from the county for community-based planning activities.

Subd. 9. [PLAN ADOPTION.] The municipality shall adopt and implement the community-based comprehensive municipal plan after the office of strategic and long-range planning has reviewed and commented on the county's plan that incorporates the municipality's plan. The municipality shall thereafter, where it deems appropriate, incorporate any comments made by the office into its plan and adopt the plan.

Subd. 10. [CITIZEN ACTION.] No citizen may institute mandamus proceedings against a municipality under this section to require the municipality to conform its comprehensive plan to be consistent with the community-based planning goals in section 4A.08.

Sec. 11. Minnesota Statutes 1996, section 462.357, subdivision 2, is amended to read:

Subd. 2. [GENERAL REQUIREMENTS.] At any time after the adoption of a land use plan for the municipality, the planning agency, for the purpose of carrying out the policies and goals of the land use plan, may prepare a proposed zoning ordinance and submit it to the governing body with its recommendations for adoption. Subject to the requirements of subdivisions 3, 4 and 5, the

governing body may adopt and amend a zoning ordinance by a two-thirds vote of all its members. ~~If the comprehensive municipal plan is in conflict with the zoning ordinance, the zoning ordinance supersedes the plan.~~ The plan must provide guidelines for the timing and sequence of the adoption of official controls to ensure planned, orderly, and staged development and redevelopment consistent with the plan.

Sec. 12. [473.1455] [METROPOLITAN DEVELOPMENT GUIDE GOALS.]

The metropolitan council shall, in any update of the metropolitan development guide after December 31, 1998, amend the metropolitan development guide, as necessary, to reflect and implement the community-based planning goals in section 4A.08. The office of strategic and long-range planning shall review and comment on the metropolitan development guide.

Sec. 13. [ADVISORY COUNCIL ON COMMUNITY-BASED PLANNING.]

Subdivision 1. [ESTABLISHMENT; PURPOSE.] An advisory council on community-based planning is established to provide a forum for discussion and development of the framework for community-based planning and the incentives and tools to implement the plans.

Subd. 2. [DUTIES.] The advisory council shall propose legislation for the 1998 legislative session to establish the framework to implement community-based planning. The advisory council shall:

(1) develop a model process to involve citizens in community-based planning from the beginning of the planning process;

(2) hold meetings statewide to solicit advice and information on how to implement community-based planning;

(3) develop specific, measurable criteria for the office of strategic and long-range planning to use in reviewing plans for consistency with the goals in Minnesota Statutes, section 4A.08;

(4) review and recommend changes to the community-based planning framework established in this act;

(5) recommend a procedure for review and comment on community-based plans;

(6) recommend a process for coordination of plans among local jurisdictions;

(7) review and recommend a dispute resolution process for determining planning related disputes and boundary adjustment issues between local government units;

(8) recommend an alternative dispute resolution process for citizens to use to challenge proposed plans or the implementation of plans;

(9) recommend incentives to encourage state agencies to implement the goals of community-based planning;

(10) recommend incentives for local governments to develop community-based plans, including for example, assistance with computerized geographic information systems, builders' remedies and density bonuses, and revised permitting processes;

(11) describe the tools and strategies that a county, city, or town may use to achieve the goals, including, but not limited to, densities, urban growth areas, purchase or transfer of development rights programs, public investment surcharges, transit and transit-oriented development, and zoning and other official controls;

(12) recommend the time frame in which the community-based plans must be completed;

(13) recommend changes to state law to increase the consistency between the land use planning enabling laws of counties, cities, and townships;

(14) review and recommend changes to Minnesota Statutes, sections 16B.62, subdivision 1; 462.357, subdivision 1; and 462.358, subdivision 1, relating to a municipality's authority to extend zoning ordinances and building codes;

(15) consider the need for ongoing stewardship and oversight of sustainable development initiatives and the community-based planning process; and

(16) make other recommendations to implement community-based planning as the advisory council determines would be necessary or helpful in achieving the goals.

Subd. 3. [MEMBERSHIP.] The advisory council consists of 24 members who serve at the pleasure of the appointing authority as follows:

(1) four members of the house of representatives appointed by the speaker, at least one of whom shall be a member of the minority caucus;

(2) four members of the senate appointed by the committee on rules and administration of the senate, at least one of whom shall be a member of the minority caucus;

(3) the commissioners, or their designees, of the departments of natural resources, agriculture, transportation, and trade and economic development, and the director, or the director's designee, of the office of strategic and long-range planning;

(4) the chair, or the chair's designee, of the metropolitan council;

(5) one representative appointed by the coalition of greater Minnesota cities, one representative appointed by the Minnesota association of townships, one representative appointed by the association of Minnesota counties, and one representative appointed by the builders association of Minnesota;

(6) three public members, appointed by the speaker of the house of representatives; and

(7) three public members, appointed by the committee on rules and administration of the senate.

The advisory council may form an executive committee to facilitate the work of the council.

Subd. 4. [CHAIR.] The advisory council shall select from among its members a person to serve as chair.

Subd. 5. [ADMINISTRATION.] The office of strategic and long-range planning, with assistance from other state agencies and the metropolitan council as needed, shall provide administrative and staff assistance to the advisory council.

Subd. 6. [EXPENSES.] The office of strategic and long-range planning shall compensate members of the advisory council. Members shall receive per diem and expenses as provided by Minnesota Statutes, section 15.059, subdivision 3.

Subd. 7. [EXPIRATION.] This section expires June 30, 1998.

Sec. 14. [CITATION.]

Sections 1 to 13 may be cited as the "Community-based Planning Act."

Sec. 15. [APPROPRIATIONS.]

Subdivision 1. [PLANNING GRANTS.] $..... is appropriated from the general fund to the director of the office of strategic and long-range planning for planning grants to counties, joint planning districts that include at least one county, or to a county and one or more municipalities within the county, when they submit a joint planning application to prepare community-based plans. A county receiving a grant may provide funding to municipalities within the county for purposes of the grant. The office shall give priority for grants to joint planning districts or joint

applications from a county and one or more municipalities. This appropriation is available beginning in fiscal year 1999 and remains available until expended.

Subd. 2. [TECHNOLOGY GRANTS.] $..... is appropriated from the general fund to the director of the office of strategic and long-range planning for technology grants to counties, or joint planning districts that include at least one county, that elect to prepare community-based plans. This appropriation is available beginning in fiscal year 1999 and remains available until expended.

Subd. 3. [ADVISORY COUNCIL.] $..... is appropriated in fiscal year 1998 from the general fund to the director of the office of strategic and long-range planning for compensation for members of the advisory council under section 12, subdivision 6, and administrative and staff expenses. This appropriation is available until expended.

Sec. 16. [APPLICATION.]

Section 12 applies in the counties of Anoka, Carver, Dakota, Hennepin, Ramsey, Scott, and Washington.

Sec. 17. [EFFECTIVE DATE.]

Sections 1 to 14 and 16 are effective the day following final enactment.

Section 15 is effective July 1, 1997.

ARTICLE 2

COMMUNITY-BASED PLANNING PILOT PROJECTS

Section 1. [PILOT PROJECTS ESTABLISHED.]

The office of strategic and long-range planning shall establish community-based comprehensive land use planning pilot projects as specified in this article.

Sec. 2. [PLAN SUBMITTAL; REVIEW.]

A county or joint planning district participating in a pilot project must prepare a community-based comprehensive plan as specified in Minnesota Statutes, section 394.232. The county or joint powers board must submit the plan to the office of strategic and long-range planning within 24 months of the effective date of this article. The office shall review each plan to determine if it is consistent with the community-based planning goals in Minnesota Statutes, section 4A.08. The office shall complete its review and comment as specified in Minnesota Statutes, section 394.232, subdivision 5.

Sec. 3. [PLAN CONTENT.]

Subdivision 1. [GOALS.] The plan must address the community-based planning goals in Minnesota Statutes, section 4A.08.

Subd. 2. [MUNICIPAL AND TOWN PLAN INCORPORATION.] The plan must incorporate the community-based comprehensive plan of each municipality and town in the county. Incorporation of a municipal or town plan is sufficient if the county or joint powers board adopts a resolution approving and incorporating by reference the plan or any subsequent amendments to the plan.

Subd. 3. [URBAN GROWTH AREAS.] The plan must identify, establish, and address urban growth areas, as defined in Minnesota Statutes, section 462.352, subdivision 18, within the county. The land outside an urban growth area must be zoned as permanent rural or agricultural land, or other appropriate land use, and must be maintained at density levels consistent with those uses.

Subd. 4. [EXISTING PLANS.] If the county has a previously adopted plan, the county board or joint powers board shall review, update, and submit to the office of strategic and long-range planning a revised plan and official controls meeting the requirements of this section, including

the community-based comprehensive municipal plan for each municipality or town in the county, if any, within 24 months of the effective date of this article.

Sec. 4. [COORDINATION WITH ADJACENT COUNTIES.]

Before submitting the community-based comprehensive plan to the office of strategic and long-range planning, the county or joint powers board shall coordinate its plan with adjacent counties. The adjacent counties shall review and submit written comments on the proposed plan to the board within 60 days of receiving the plan.

Sec. 5. [COORDINATION WITH METROPOLITAN COUNCIL.]

A county or joint planning district adjacent to the metropolitan area shall coordinate its plan with the metropolitan council, in relation to the council's development guide.

The county or joint planning district shall not submit its plan to the office of strategic and long-range planning until the metropolitan council has had 60 days for review and comment on the plan.

Sec. 6. [LIMITATION ON PLAN AMENDMENT.]

The county or joint powers board shall not amend its plan for an area inside an urban growth area that is outside a municipality's jurisdiction without the municipality's approval.

Sec. 7. [APPROPRIATION.]

Subdivision 1. [ST. CLOUD AREA PILOT PROJECT.] $200,000 is appropriated from the general fund to the director of the office of strategic and long-range planning to make a grant to a joint powers board, if one is established by the counties of Benton, Sherburne, and Stearns, and the cities of St. Cloud, Waite Park, Sartell, St. Joseph, and Sauk Rapids, for the purposes of joint planning under this act. The director may make the grant once the joint powers board has been formed and a copy of the joint powers agreement has been received by the director. Members of the joint powers board may delegate their authority to adopt official controls to the joint powers board.

Subd. 2. [SHERBURNE, BENTON, STEARNS PILOT PROJECT.] $150,000 is appropriated from the general fund to the director of the office of strategic and long-range planning to make a grant to a joint powers board, if one is established by the counties of Benton, Sherburne, and Stearns, for the purposes of joint planning for the areas not included in subdivision 1. The director may make the grant once the joint powers board has been formed and a copy of the joint powers agreement has been received by the director. Members of the joint powers board may delegate their authority to adopt official controls to the joint powers board.

Subd. 3. [OTHER PILOT PROJECTS.] $150,000 is appropriated from the general fund to the office of strategic and long-range planning for the purpose of making three grants to additional counties or joint powers boards selected to participate in the community-based planning pilot project. A county that receives a grant under this subdivision may provide funding to municipalities within the county for purposes relating to the grant.

Sec. 8. [EFFECTIVE DATE.]

This article is effective July 1, 1997.

ARTICLE 3

MUNICIPAL BOARD

Section 1. Minnesota Statutes 1996, section 115.49, is amended by adding a subdivision to read:

Subd. 2a. [EXTENSION OF SERVICE.] If a determination or order is made by the pollution control agency under this section that cooperation by contract is necessary and feasible between a

municipality and an unincorporated area located outside the existing corporate limits of a municipality, the municipality being required to provide or extend through a contract a governmental service to an unincorporated area, during the statutory 90-day period provided in this section to formulate a contract, may in the alternative to formulating a service contract to provide or extend the service, declare the unincorporated area as described in the pollution control agency's determination letter or order annexed to the municipality under section 414.0335.

Sec. 2. Minnesota Statutes 1996, section 414.0325, subdivision 1, is amended to read:

Subdivision 1. [INITIATING THE PROCEEDING.] One or more townships and one or more municipalities, by joint resolution, may designate an unincorporated area as in need of orderly annexation. The joint resolution will confer jurisdiction on the board over annexations in the designated area and over the various provisions in said agreement by submission of said joint resolution to the executive director. The resolution shall include a description of the designated area and the reasons for designation. Thereafter, an annexation of any part of the designated area may be initiated by:

(1) submitting to the executive director a resolution of any signatory to the joint resolution; or

(2) the board of its own motion~~; or~~

~~(3) as provided in section 414.033, subdivision 2~~a.

Whenever ~~the pollution control agency or other~~ a state agency ~~pursuant to sections 115.03, 115.071, 115.49, or any law giving a state agency similar powers~~ other than the pollution control agency, orders a municipality to extend a municipal service to an area, such an order will confer jurisdiction on the Minnesota municipal board to consider designation of the area for orderly annexation.

If a joint resolution designates an area as in need of orderly annexation and states that no alteration of its stated boundaries is appropriate, the board may review and comment, but may not alter the boundaries.

If a joint resolution designates an area as in need of orderly annexation, provides for the conditions for its annexation, and states that no consideration by the board is necessary, the board may review and comment, but shall, within 30 days, order the annexation in accordance with the terms of the resolution.

Sec. 3. Minnesota Statutes 1996, section 414.033, subdivision 2b, is amended to read:

Subd. 2b. [NOTICE REQUIRED.] Before a municipality may adopt an ordinance under subdivision 2, clause (2), (3), or (4), ~~or subdivision 2a,~~ a municipality must hold a public hearing and give 30 days' written notice by certified mail to the town or towns affected by the proposed ordinance and to all landowners within and contiguous to the area to be annexed.

Sec. 4. Minnesota Statutes 1996, section 414.033, subdivision 11, is amended to read:

Subd. 11. [FLOODPLAIN; SHORELAND AREA.] When a municipality declares land annexed to the municipality under subdivision 2, clause (3), ~~or subdivision 2a,~~ and the land is within a designated floodplain, as provided by section 103F.111, subdivision 4, or a shoreland area, as provided by section 103F.205, subdivision 4, the municipality shall adopt or amend its land use controls to conform to chapter 103F, and any new development of the annexed land shall be subject to chapter 103F.

Sec. 5. Minnesota Statutes 1996, section 414.033, subdivision 12, is amended to read:

Subd. 12. [PROPERTY TAXES.] When a municipality annexes land under subdivision 2, clause (2), (3), or (4), ~~or subdivision 2a,~~ property taxes payable on the annexed land shall continue to be paid to the affected town or towns for the year in which the annexation becomes effective. Thereafter, property taxes on the annexed land shall be paid to the municipality. In the first year following the year the land was annexed, the municipality shall make a cash payment to the

affected town or towns in an amount equal to 90 percent of the property taxes paid in the year the land was annexed; in the second year, an amount equal to 70 percent of the property taxes paid in the year the land was annexed; in the third year, an amount equal to 50 percent of the property taxes paid in the year the land was annexed; in the fourth year, an amount equal to 30 percent of the property taxes paid in the year the land was annexed; and in the fifth year, an amount equal to ten percent of the property taxes paid in the year the land was annexed. The municipality and the affected township may agree to a different payment.

Sec. 6. [414.0335] [ORDERED GOVERNMENTAL SERVICE EXTENSION; ANNEXATION BY ORDINANCE.]

If a determination or order by the pollution control agency, under section 115.49 or other similar statute is made, that cooperation by contract is necessary and feasible between a municipality and an unincorporated area located outside the existing corporate limits of a municipality, the municipality 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 pollution control agency's determination letter or order annexed to the municipality by adopting an ordinance and submitting it to the municipal board. The municipal board 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 municipal board approves the ordinance. Thereafter, the city shall amend its comprehensive plan and official controls in accordance with section 462.3535.

Sec. 7. [414.10] [ALTERNATIVE PROCESS OF DISPUTE RESOLUTION.]

Subdivision 1. [DEFINITION.] For the purposes of subdivision 2, a "party" or "parties" means a property owner or the governing body or town board of a jurisdiction that files an initiating document or a timely objection, and the governing body or town board of the jurisdiction or jurisdictions in which the subject area is located.

Subd. 2. [CHAPTER 572A PROCESS.] As an alternative to the procedure provided by this chapter, a party filing an initiating document or timely objection may file with the bureau of mediation services a written request for mediation within 30 days of the filing as provided in section 572A.015. The request for mediation must contain the written consent of all parties to have the dispute settled through the process provided by chapter 572A. The filing party must also file written notice with the municipal board notifying the board that all parties have agreed to use the dispute resolution process in chapter 572A.

Sec. 8. [414.11] [MUNICIPAL BOARD SUNSET.]

The municipal board shall terminate on December 31, 1999, and all of its authority and duties under this chapter shall be transferred to the office of strategic and long-range planning.

Sec. 9. [REPEALER.]

Minnesota Statutes 1996, section 414.033, subdivision 2a, is repealed.

Sec. 10. [EFFECTIVE DATE.]

This act is effective the day following final enactment.

ARTICLE 4

DISPUTE RESOLUTION

Section 1. [572A.01] [COMPREHENSIVE PLANNING DISPUTES; MEDIATION.]

Subdivision 1. [FILING.] In the event of a dispute between a county and the office of strategic and long-range planning under section 394.232 or a county and a city under section 462.3535, regarding the development, content, or approval of a community-based comprehensive land use plan, an aggrieved party may file a written request for mediation, as provided in subdivision 2,

with the office of strategic and long-range planning at any time prior to a final action on a community-based comprehensive plan or within 30 days of a final action on a community-based comprehensive plan.

Subd. 2. [MEDIATION.] Within ten days of receiving a request for mediation in subdivision 1, the office of strategic and long-range planning shall provide written notice of the request for mediation to the parties. Within 30 days thereafter, the affected parties shall submit to mediation for a period of 30 days facilitated by the office. If the dispute remains unresolved after the close of the 30-day mediation period, the office shall prepare a report of its recommendations and transmit the report within 30 days to the parties. Within 60 days after the date of issuance of the mediator's report, the dispute shall be submitted to binding arbitration as provided in this chapter. The mediator's report submitted to the parties is informational only and is not admissible in arbitration.

Sec. 2. [572A.015] [CHAPTER 414 DISPUTES; MEDIATION.]

Subdivision 1. [FILING.] As provided by section 414.10, if an initiating document or timely objection under chapter 414 is filed with the municipal board, the filing party, jurisdiction, or jurisdictions may also file a written request for mediation with the bureau of mediation services within 30 days of the initiating document or timely objection. The request for mediation must contain the written consent to the mediation and arbitration process by all the parties, as defined in section 414.10, subdivision 1.

Subd. 2. [MEDIATION.] Within ten days of receiving a request for mediation, the bureau shall provide written notice of the request for mediation to the parties. Within 30 days thereafter, the affected parties, as defined in section 414.10, subdivision 1, shall submit to mediation for a period of 30 days facilitated by the bureau. If the dispute remains unresolved after the close of the 30-day mediation period, the bureau shall prepare a report of its recommendations and transmit the report within 30 days to the parties. Within 60 days after the date of issuance of the mediator's report, the dispute shall be submitted to binding arbitration as provided in this chapter. The mediator's report submitted to the parties is informational only and is not admissible in arbitration.

Sec. 3. [572A.02] [ARBITRATION.]

Subdivision 1. [SUBMITTAL TO BINDING ARBITRATION.] If a dispute remains unresolved after the close of mediation, the dispute shall be submitted to binding arbitration within 60 days of issuance of the mediation report pursuant to the terms of this section and the Uniform Arbitration Act, sections 572.08-572.30, except the period may be extended for an additional 15 days as provided in this section. In the event of a conflict between the provisions of the Uniform Arbitration Act and this section, this section controls.

Subd. 2. [APPOINTMENT OF PANEL.] (a) The parties shall each appoint one qualified arbitrator within 30 days of issuance of the mediation report. If a party does not appoint an arbitrator within 30 days, the office of strategic and long-range planning for disputes under section 572A.01 or the bureau of mediation services for disputes under section 572A.015, shall appoint a qualified arbitrator for the party. The parties shall notify the office prior to the close of the 30-day appointment period of the name and address of their respective appointed arbitrator. Each party is responsible for the fees and expenses for the arbitrator it selects.

(b) After appointment of the two arbitrators to the arbitration panel by the parties, or by the office or bureau should one or both of the parties fail to act, the two appointed arbitrators shall appoint a third arbitrator who must be learned in the law, within 15 days of the close of the initial 30-day arbitrator appointment period. If the arbitrators cannot agree on the selection of the third arbitrator within 15 days, the arbitrators shall jointly submit a request to the district court of the county in which the disputed area is located in accordance with the selection procedures established in section 572.10. Within 15 days of receipt of an application by the district court, the district court shall select a neutral arbitrator and notify the parties and the office of strategic and long-range planning or bureau of mediation services of the name and address of the selected arbitrator. The fees and expenses of the third arbitrator shall be shared equally by the parties. The third appointed arbitrator shall act as chair of the arbitration panel and shall conduct the proceedings. If the district court selects the third arbitrator, the date required for first hearing the matter may be extended an additional 15 days.

Subd. 3. [HEARING.] Except as otherwise provided, within 60 days, the matter must be brought on for hearing in accordance with section 572.12. The office of strategic and long-range planning or bureau of mediation services shall provide for the proceedings to occur in the county in which the majority of the affected property is located.

Subd. 4. [CONTRACTS; INFORMATION.] The arbitration panel shall have authority to contract with regional, state, county, or local planning commissions or to hire expert consultants to provide specialized information and assistance. Any member of the panel conducting or participating in any hearing shall have the power to administer oaths and affirmations, to issue subpoenas, to compel the attendance and testimony of witnesses, and the production of papers, books, and documents. Any costs related to this subdivision shall be shared equally by the parties.

Subd. 5. [DECISION FACTORS.] In comprehensive planning disputes, the arbitration panel shall consider the goals stated in section 4A.08 and the following factors in making a decision. In all other disputes brought under this section, the arbitration panel shall consider the following factors in making a decision:

(1) present population and number of households, past population, and projected population growth of the subject area and adjacent units of local government;

(2) quantity of land within the subject area and adjacent units of local government; and natural terrain including recognizable physical features, general topography, major watersheds, soil conditions, and such natural features as rivers, lakes, and major bluffs;

(3) degree of contiguity of the boundaries between the annexing municipality and the subject area;

(4) present pattern of physical development, planning, and intended land uses in the subject area and the annexing municipality including residential, industrial, commercial, agricultural, and institutional land uses and the impact of the proposed action on those land uses;

(5) the present transportation network and potential transportation issues, including proposed highway development;

(6) land use controls and planning presently being utilized in the annexing municipality and the subject area, including comprehensive plans for development in the area and plans and policies of the metropolitan council, and whether there are inconsistencies between proposed development and existing land use controls and the reasons therefore;

(7) existing levels of governmental services being provided in the annexing municipality and the subject area, including water and sewer service, fire rating and protection, law enforcement, street improvements and maintenance, administrative services, and recreational facilities and the impact of the proposed action on the delivery of said services;

(8) existing or potential environmental problems and whether the proposed action is likely to improve or resolve these problems;

(9) plans and programs by the annexing municipality for providing needed governmental services to the subject area;

(10) an analysis of the fiscal impact on the annexing municipality, the subject area, and adjacent units of local government, including net tax capacity and the present bonded indebtedness, and the local tax rates of the county, school district, and township;

(11) relationship and effect of the proposed action on affected and adjacent school districts and communities;

(12) adequacy of town government to deliver services to the subject area;

(13) analysis of whether necessary governmental services can best be provided through the proposed action or another type of boundary adjustment; and

(14) if only a part of a township is annexed, the ability of the remainder of the township to continue or the feasibility of it being incorporated separately or being annexed to another municipality.

Any party to the proceeding may present evidence and testimony on any of the above factors at the hearing on the matter.

Subd. 6. [DECISION.] The arbitrators, after a hearing on the matter, shall make a decision regarding the dispute within 60 days and transmit an order to the parties and the office of strategic and long-range planning or the municipal board. Unless appealed within 30 days of receipt of the arbitration panel's order by the municipal board, the municipal board shall execute an order in accordance with the arbitration panel's order and shall cause copies of the same to be mailed to all parties entitled to mailed notice, the secretary of state, the department of revenue, the state demographer, individual property owners if initiated in that manner, the affected county auditor, and any other party of record. The affected county auditor shall record the order against the affected property.

Sec. 4. [572A.03] [ARBITRATION PANEL DECISION STANDARDS.]

Subdivision 1. [DECISION STANDARDS.] The arbitration panel, based upon the factors in section 572A.02, subdivision 5, shall decide the matter based upon the decision standards in subdivisions 2 to 6.

Subd. 2. [COMPREHENSIVE LAND USE PLANNING.] For comprehensive land use planning disputes under section 462.3535, if a community-based comprehensive plan addresses the goals of section 4A.08 and the arbitrators find that the city's projected estimates found in its comprehensive plan are reasonable with respect to an identified urban growth area, the arbitration panel may order approval of the city plan. If the order is to approve the community-based comprehensive plan, the order shall contain notice directing the county to approve the city plan within ten days of receipt of the arbitration order. The city shall, thereafter, adopt the plan. If the order is to deny the plan, the arbitration order shall state the reasons for the denial in the order and transmit the order to the city, county, and the office of strategic and long-range planning. The city shall within 30 days of receipt of the order amend its plan and resubmit the plan to the county for review and approval under this subdivision. The county shall not unreasonably withhold approval of the plan if the resubmitted city plan is in keeping with the arbitration panel's order.

Subd. 3. [MUNICIPAL INCORPORATIONS.] For municipal incorporations under section 414.02, the arbitration panel may order the incorporation if it finds that: (1) the property to be incorporated is now, or is about to become, urban or suburban in character; (2) that the existing township form of government is not adequate to protect the public health, safety, and welfare; or (3) the proposed incorporation would be in the best interests of the area under consideration. The panel may deny the incorporation if the area, or a part of it, would be better served by annexation to an adjacent municipality. The panel may alter the boundaries of the proposed incorporation by increasing or decreasing the area to be incorporated so as to include only that property which is now, or is about to become, urban or suburban in character, or may exclude property that may be better served by another unit of government. The panel may also alter the boundaries of the proposed incorporation so as to follow visible, clearly recognizable physical features for municipal boundaries. In all cases, the panel shall set forth the factors which are the basis for the decision.

Subd. 4. [ANNEXATIONS OF UNINCORPORATED PROPERTY.] For annexations of unincorporated property under section 414.031 or 414.033, subdivisions 3 and 5, the arbitration panel may order the annexation: (1) if it finds that the subject area is now, or is about to become, urban or suburban in character; (2) if it finds that municipal government in the area proposed for annexation is required to protect the public health, safety, and welfare; or (3) if it finds that the annexation would be in the best interest of the subject area. If only a part of a township is to be annexed, the panel shall consider whether the remainder of the township can continue to carry on the functions of government without undue hardship. The panel shall deny the annexation if it finds that the increase in revenues for the annexing municipality bears no reasonable relation to the monetary value of benefits conferred upon the annexed area. The panel may deny the annexation: (1) if it appears that annexation of all or a part of the property to an adjacent

municipality would better serve the interests of the residents of the property; or (2) if the remainder of the township would suffer undue hardship.

The panel may alter the boundaries of the area to be annexed by increasing or decreasing the area so as to include only that property which is now or is about to become urban or suburban in character or to add property of that character abutting the area proposed for annexation in order to preserve or improve the symmetry of the area, or to exclude property that may better be served by another unit of government. The panel may also alter the boundaries of the proposed annexation so as to follow visible, clearly recognizable physical features. If the panel determines that part of the area would be better served by another municipality or township, the panel may initiate and approve annexation on its own motion by conducting further hearings. In all cases, the arbitration panel shall set forth the factors that are the basis for the decision.

Subd. 5. [CONSOLIDATION OF MUNICIPALITIES.] For municipal consolidations under section 414.041, the arbitration panel shall consider and may accept, amend, return to the commission for amendment or further study, or reject the commission's findings and recommendations based upon the panel's written determination of what is in the best interests of the affected municipalities. The panel shall order the consolidation if it finds that consolidation will be for the best interests of the municipalities. In all cases, the arbitration panel shall set forth the factors that are the basis for the decision.

Subd. 6. [DETACHMENT OF PROPERTY FROM A MUNICIPALITY.] For detachments of property from a municipality under section 414.06, the arbitration panel may order the detachment if it finds that the requisite number of property owners have signed the petition if initiated by the property owners, that the property is rural in character and not developed for urban residential, commercial, or industrial purposes, that the property is within the boundaries of the municipality and abuts a boundary, that the detachment would not unreasonably affect the symmetry of the detaching municipality, and that the land is not needed for reasonably anticipated future development. The panel shall deny the detachment if it finds that the remainder of the municipality cannot continue to carry on the functions of government without undue hardship. The panel shall have authority to decrease the area of property to be detached and may include only a part of the proposed area to be detached. If the tract abuts more than one township, it shall become a part of each township, being divided by projecting through it the boundary line between the townships. The detached area may be relieved of the primary responsibility for existing indebtedness of the municipality and be required to assume the indebtedness of the township of which it becomes a part, in the proportion that the panel deems just and equitable considering the amount of taxes due and delinquent and the indebtedness of each township and the municipality affected, if any, and for what purpose the indebtedness was incurred, in relation to the benefit inuring to the detached area as a result of the indebtedness and the last net tax capacity of the taxable property in each township and municipality.

Subd. 7. [CONCURRENT DETACHMENT AND ANNEXATION OF INCORPORATED PROPERTY.] For concurrent detachment and annexation of incorporated property under section 414.061, subdivisions 4 and 5, the arbitration panel shall order the proposed action if it finds that it will be for the best interests of the municipalities and the property owner. In all cases, the board shall set forth the factors which are the basis for the decision.

Sec. 5. [EFFECTIVE DATE.]

This article is effective the day following final enactment."

Delete the title and insert:

"A bill for an act relating to community-based land use planning; establishing goals; establishing a county community-based planning process; establishing a municipal community-based planning process; sunsetting the municipal board; establishing an alternative dispute resolution process; appropriating money; amending Minnesota Statutes 1996, sections 115.49, by adding a subdivision; 394.23; 394.24, subdivision 1; 414.0325, subdivision 1; 414.033, subdivisions 2b, 11, and 12; 462.352, subdivisions 5, 6, and by adding a subdivision; and 462.357, subdivision 2; proposing coding for new law in Minnesota Statutes, chapters 4A; 394; 414; 462; 473; and 572A; repealing Minnesota Statutes 1996, section 414.033, subdivision 2a."

And when so amended the bill do pass and be re-referred to the Committee on Governmental Operations and Veterans.

Pursuant to Joint Rule 2.03, the bill was referred to the Committee on Rules and Administration.

Joint Rule 2.03 suspended. Amendments adopted. Report adopted.

Mr. Hottinger from the Committee on Health and Family Security, to which was referred

S.F. No. 1000: A bill for an act relating to professions; modifying certain board of psychology requirements relating to education, supervision, and disclosure of patient confidences; amending Minnesota Statutes 1996, section 148.907, subdivisions 2 and 4; 148.908, subdivision 2; and 148.925, subdivision 7; repealing Minnesota Statutes 1996, section 148.976.

Reports the same back with the recommendation that the bill be amended as follows:

Page 4, delete section 6

Amend the title as follows:

Page 1, line 3, delete the comma and insert "and"

Page 1, delete line 4 and insert "supervision;"

Page 1, lines 7 and 8, delete "; repealing Minnesota Statutes 1996, section 148.976"

And when so amended the bill do pass. Amendments adopted. Report adopted.

Mr. Novak from the Committee on Jobs, Energy and Community Development, to which was referred

S.F. No. 1112: A bill for an act relating to housing; establishing an advisory task force on lead hazard reduction; appropriating money.

Reports the same back with the recommendation that the bill be amended as follows:

Page 2, delete lines 35 and 36

Page 3, delete lines 1 to 4

Page 3, line 5, delete "6" and insert "5"

Page 3, delete section 2

Amend the title as follows

Page 1, line 3, delete "; appropriating money"

And when so amended the bill do pass and be re-referred to the Committee on Governmental Operations and Veterans.

Pursuant to Joint Rule 2.03, the bill was referred to the Committee on Rules and Administration.

Mr. Novak from the Committee on Jobs, Energy and Community Development, to which was referred

S.F. No. 1291: A bill for an act relating to employment; providing counseling services and mandatory leave for certain railroad employees; proposing coding for new law in Minnesota Statutes, chapter 181.

Reports the same back with the recommendation that the bill be amended as follows:

Delete everything after the enacting clause and insert:

"Section 1. [181.301] [AFTER ACCIDENT COUNSELING.]

Subdivision 1. [COUNSELING AND MANDATORY LEAVE.] Every railroad company shall provide or make available to affected company employees on an operating or nonoperating crew involved in an accident on a railroad right-of-way, which results in loss of life or serious bodily injury, counseling services or other critical incident stress debriefing services within 48 hours of the accident. The operating or nonoperating crew members involved in or witnessing the accident must be relieved from duty, with compensation and applicable benefits, for not less than three work days following the accident, unless the employee and the employee's independent medical practitioner agree otherwise. After returning to duty, a crew member experiencing symptoms related to the accident shall be afforded time off without reduction in pay or benefits until an independent medical practitioner has determined that the crew member can safely perform the duties of the crew member's position.

Subd. 2. [RETURN TO DUTY.] No crew member, as described in subdivision 1, shall be required to return to duty until an appropriate independent medical practitioner has determined that the crew member can safely perform the duties of the crew member's position.

Subd. 3. [REGISTRATION.] Not later than January 1 of each calendar year, each railroad company owning or leasing track in this state shall file with the commissioner of health its plan for compliance with subdivision 1 of this section. Each plan shall demonstrate the independence and qualifications of counseling providers.

Sec. 2. [APPROPRIATION.]

$..... is appropriated from the general fund for the biennium ending June 30, 1999, to the commissioner of health for the purposes of section 1.

Sec. 3. [EFFECTIVE DATE.]

Section 1 is effective the day following final enactment."

Amend the title as follows:

Page 1, line 3, after the semicolon, insert "appropriating money;"

And when so amended the bill do pass and be re-referred to the Committee on Health and Family Security. Amendments adopted. Report adopted.

Ms. Flynn from the Committee on Transportation, to which was referred

S.F. No. 1281: A bill for an act relating to traffic regulations; prohibiting admission of motorcycle helmet use by operators and passengers age 18 or older in litigation involving damages arising from use or operation of a motor vehicle; amending Minnesota Statutes 1996, section 169.685, by adding a subdivision; repealing Minnesota Statutes 1996, section 169.974, subdivision 6.

Reports the same back with the recommendation that the bill be amended as follows:

Page 1, delete section 1 and insert:

"Section 1. Minnesota Statutes 1996, section 169.974, is amended by adding a subdivision to read:

Subd. 4a. [MOTORCYCLE HELMET USE; ADMISSIBILITY INTO EVIDENCE.] (a) Proof of the use or failure to use a motorcycle helmet by a motorcycle operator or passenger age 18 or older is not admissible in evidence in any litigation involving personal injuries or property damage resulting from the use or operation of any motor vehicle.

(b) Paragraph (a) does not affect the right of a person to bring an action for damages arising out of an incident that involves a defectively designed or manufactured motorcycle helmet. Paragraph (a) does not prohibit the introduction of evidence pertaining to the use of a motorcycle helmet in such an action."

Amend the title as follows:

Page 1, line 6, delete "169.685" and insert "169.974"

And when so amended the bill do pass and be re-referred to the Committee on Judiciary. Amendments adopted. Report adopted.

Ms. Flynn from the Committee on Transportation, to which was referred

H.F. No. 454: A bill for an act relating to motor vehicles; allowing issuance and display of single license plate for collector vehicles and vehicles that meet collector vehicle requirements but are used for general transportation purposes; amending Minnesota Statutes 1996, sections 168.10, subdivisions 1a, 1b, 1c, and 1d; and 169.79.

Reports the same back with the recommendation that the bill do pass. Report adopted.

Ms. Flynn from the Committee on Transportation, to which was referred

S.F. No. 1023: A bill for an act relating to taxation; imposing a fee on motor vehicle rentals; providing for a rebate of the fee to motor vehicle lessors to compensate for motor vehicle registration fees paid by lessors; appropriating money; amending Minnesota Statutes 1996, section 297A.135.

Reports the same back with the recommendation that the bill be amended as follows:

Page 1, line 25, delete "..." and insert "three"

Page 1, line 26, delete "time and mileage charges" and insert "sales price" and delete "charges paid for"

Page 2, delete lines 19 to 31 and insert:

"Subd. 5. [REBATE AUTHORIZED.] A lessor collecting the fee imposed by subdivision 1a is entitled to a rebate of the fee collected. A claim for rebate must state the amount of fees collected during the period beginning June 1 of the previous year and ending May 31 of the current year under subdivision 1a and the amount of Minnesota motor vehicle registration taxes paid under chapter 168A during the same period. The rebate to a lessor shall be equal to the amount of the fees collected and remitted by the lessor for that period or the amount of Minnesota motor vehicle registration taxes paid by the lessor during that period for vehicles rented, whichever amount is less. The claims must be filed with the commissioner by July 1 each year on forms prescribed by the commissioner. A rebate shall bear no interest."

And when so amended the bill do pass and be re-referred to the Committee on Taxes. Amendments adopted. Report adopted.

Mr. Metzen from the Committee on Governmental Operations and Veterans, to which was referred

S.F. No. 1634: A bill for an act relating to capital improvements; defining design and predesign; amending Minnesota Statutes 1996, section 16B.335, subdivision 3.

Reports the same back with the recommendation that the bill be amended as follows:

Delete everything after the enacting clause and insert:

"Section 1. Minnesota Statutes 1996, section 16B.335, subdivision 3, is amended to read:

Subd. 3. [PREDESIGN REQUIREMENT.] The definitions in paragraphs (a) and (b) apply to this section.

(a) "Predesign" means the stage in the development of a project during which the purpose, scope, cost, and schedule of the complete project are defined and instructions to design professionals are produced.

(b) "Design" means the stage in the development of a project during which schematic, design development, and contract documents are produced.

(c) A recipient to whom an appropriation is made for a project subject to review under subdivision 1 or notice under subdivision 2 shall prepare a predesign package and submit it to the commissioner for review and recommendation before proceeding with design activities. The commissioner must complete the review and recommendation within ten working days after receiving it. Failure to review and recommend within the ten days is considered a positive recommendation. The predesign package must be sufficient to define the purpose, scope, cost, and schedule of the project and must demonstrate that the project has been analyzed according to appropriate space needs standards.

Sec. 2. [EFFECTIVE DATE.]

This act is effective the day following final enactment."

And when so amended the bill do pass.

Pursuant to Joint Rule 2.03, the bill was referred to the Committee on Rules and Administration.

Mr. Hottinger from the Committee on Health and Family Security, to which was re-referred

S.F. No. 457: A bill for an act relating to professions; modifying provisions relating to the board of social work; providing civil penalties; amending Minnesota Statutes 1996, sections 13.99, subdivision 50; 148B.01, subdivisions 4 and 7; 148B.03; 148B.04, subdivisions 2, 3, and 4; 148B.06, subdivision 3; 148B.07; 148B.08, subdivision 2; 148B.18, subdivisions 4, 5, 11, and by adding subdivisions; 148B.19, subdivisions 1, 2, and 4; 148B.20, subdivision 1, and by adding a subdivision; 148B.21, subdivisions 3, 4, 5, 6, 7, and by adding a subdivision; 148B.215; 148B.22, by adding a subdivision; 148B.26, subdivision 1, and by adding a subdivision; 148B.27, subdivisions 1 and 2; and 148B.28, subdivisions 1 and 4; proposing coding for new law in Minnesota Statutes, chapter 148B; repealing Minnesota Statutes 1996, sections 148B.01, subdivision 3; 148B.18, subdivisions 6 and 7; 148B.19, subdivision 3; and 148B.23.

Reports the same back with the recommendation that the bill be amended as follows:

Page 11, line 35, reinstate the stricken "and"

Page 12, line 5, delete "; and"

Page 12, delete lines 6 and 7

Page 12, line 8, delete everything before the period

Page 12, line 22, reinstate the stricken "and"

Page 12, line 28, delete "; and"

Page 12, delete lines 29 and 30

Page 12, line 31, delete everything before the period

Page 13, line 12, reinstate the stricken "and"

Page 13, line 18, delete "; and"

Page 13, delete lines 19 and 20

Page 13, line 21, delete everything before the period

Page 14, line 9, reinstate the stricken "and"

Page 14, line 15, delete "; and"

Page 14, delete lines 16 and 17

Page 14, line 18, delete everything before the period

Page 17, line 28, delete "or not"

Page 17, line 29, delete "renew" and insert "the application for renewal of"

Page 36, after line 34, insert:

"Sec. 49. [EFFECTIVE DATE.]

Sections 28 and 46 are effective on the day following final enactment."

And when so amended the bill do pass and be re-referred to the Committee on Human Resources Finance. Amendments adopted. Report adopted.

Mr. Lessard from the Committee on Environment and Natural Resources, to which was referred

S.F. No. 1169: A bill for an act relating to watercraft; increasing fines for placing exotic species in waters of the state; modifying provisions relating to water surface use ordinances; modifying personal watercraft regulations; imposing personal watercraft restrictions; imposing a licensing surcharge on personal watercraft; creating a personal watercraft enforcement account; providing civil penalties; amending Minnesota Statutes 1996, sections 84D.13, subdivision 5; 86B.205, subdivision 4, and by adding a subdivision; 86B.211; 86B.313, subdivisions 1, 2, and 3; and 86B.415, by adding a subdivision; proposing coding for new law in Minnesota Statutes, chapter 86B; repealing Minnesota Statutes 1996, section 86B.205, subdivision 3.

Reports the same back with the recommendation that the bill be amended as follows:

Delete everything after the enacting clause and insert:

"Section 1. Minnesota Statutes 1996, section 86B.313, subdivision 1, is amended to read:

Subdivision 1. [GENERAL REQUIREMENTS.] In addition to requirements of other laws relating to watercraft, it is unlawful to operate or to permit the operation of a personal watercraft:

(1) without each person on board the personal watercraft wearing a United States Coast Guard approved Type I, II, III, or V personal flotation device;

(2) between 8:00 p.m. or one hour before sunset, whichever is earlier, and ~~8:00~~ 9:00 a.m.;

(3) at greater than slow-no wake speed within ~~100~~ 150 feet of :

(i) a shoreline~~,~~;

(ii) a dock~~,~~;

(iii) a swimmer~~, or~~;

(iv) a raft used for swimming or diving ~~raft~~; or

(v) a moored, anchored, or nonmotorized watercraft ~~at greater than slow-no wake speed~~;

(4) while towing a person on water skis, a kneeboard, an inflatable craft, or any other device unless:

(i) an observer is on board; or

(ii) the personal watercraft is equipped with factory-installed or factory-specified accessory mirrors that give the operator a wide field of vision to the rear;

(5) without the lanyard-type engine cutoff switch being attached to the person, clothing, or personal flotation device of the operator, if the personal watercraft is equipped by the manufacturer with such a device;

(6) if any part of the spring-loaded throttle mechanism has been removed, altered, or tampered with so as to interfere with the return-to-idle system;

(7) to chase or harass wildlife;

(8) through emergent or floating vegetation at other than a slow-no wake speed;

(9) in a manner that unreasonably or unnecessarily endangers life, limb, or property, including weaving through congested watercraft traffic, jumping the wake of another watercraft within 100 feet of the other watercraft, or operating the watercraft while facing backwards; ~~or~~

(10) in any other manner that is not reasonable and prudent~~.~~; or

(11) without a personal watercraft rules decal, issued by the commissioner, attached to the personal watercraft so as to be in full view and readable by the operator while underway.

Sec. 2. Minnesota Statutes 1996, section 86B.313, subdivision 3, is amended to read:

Subd. 3. [OPERATOR'S PERMIT.] Except in the case of an emergency, a person 13 years of age or over but less than 18 years of age may not operate a personal watercraft, regardless of horsepower, without possessing a valid watercraft operator's permit as required by section 86B.305, unless there is a person ~~18~~ 21 years of age or older on board the craft. In addition to the permit requirement, a person 13 years of age operating a personal watercraft must maintain unaided observation by a person ~~18~~ 21 years of age or older. It is unlawful for the owner of a personal watercraft to permit the personal watercraft to be operated contrary to this subdivision.

Sec. 3. Minnesota Statutes 1996, section 86B.313, is amended by adding a subdivision to read:

Subd. 3a. [PERSONAL WATERCRAFT SAFETY CERTIFICATE.] (a) Except in the case of an emergency, a person born on or after January 1, 1976, may not operate or be permitted to operate a personal watercraft, regardless of horsepower, unless the person possesses a valid personal watercraft safety certificate issued by the commissioner. It is also unlawful for the owner of a personal watercraft to permit the personal watercraft to be operated contrary to this subdivision.

(b) Persons less than 13 years of age may not be issued a personal watercraft safety certificate.

(c) Persons 13 to 17 years of age may not be issued a personal watercraft safety certificate unless they are in possession of a valid watercraft operator's permit from this state or their state of residence.

(d) The commissioner or designee may accept an equivalent personal watercraft safety certificate from another state or country.

(e) The personal watercraft safety certificate shall be revoked concurrently with a suspension of a motorboat operating privilege under sections 86B.331 and 86B.335 or a revocation of a watercraft operator's permit for persons 13 to 17 years of age.

(f) The following fees shall be charged to all persons, except law enforcement or other governmental employees who are assigned to use personal watercraft in their official capacity. Law enforcement or other governmental employees shall be issued the personal watercraft safety certificate at no cost after successfully completing the written test. All fees shall be deposited in the state treasury, credited to the water recreation account of the natural resources fund, and appropriated for the administration and enforcement of the personal watercraft safety program:

(1) original certificate, $10; and

(2) duplicate certificate, $5.

Sec. 4. Minnesota Statutes 1996, section 86B.313, subdivision 4, is amended to read:

Subd. 4. [DEALERS AND RENTAL OPERATIONS.] (a) A dealer of personal watercraft shall distribute a summary of the laws and rules governing the operation of personal watercraft and, upon request, shall provide instruction to a purchaser regarding:

(1) the laws and rules governing personal watercraft; and

(2) the safe operation of personal watercraft.

(b) A person who offers personal watercraft for rent:

(1) shall provide a summary of the laws and rules governing the operation of personal watercraft and provide instruction regarding the laws and rules and the safe operation of personal watercraft to each person renting a personal watercraft; ~~and~~

(2) shall provide a United States Coast Guard approved Type I, II, III, or V personal flotation device and any other required safety equipment to all persons who rent a personal watercraft at no additional cost~~.~~; and

(3) shall require that a personal watercraft safety certificate, when required under subdivision 3a, be shown each time a personal watercraft is rented and shall record the certificate number on the form required in paragraph (c).

(c) Each dealer of personal watercraft or person offering personal watercraft for rent shall have the person who purchases or rents a personal watercraft sign a form provided by the commissioner acknowledging that the purchaser or renter has been provided a copy of the laws and rules regarding personal watercraft operation and has read them. The form must be retained by the dealer or person offering personal watercraft for rent for a period of six months following the date of signature and must be made available for inspection by sheriff's deputies or conservation officers during normal business hours.

Sec. 5. [EFFECTIVE DATE.]

(a) Effective July 1, 1997, the commissioner shall develop educational materials, administrative and testing procedures, and a records program to implement the personal watercraft safety certificate program under section 3 beginning January 1, 1998. Section 3 is effective January 1, 2000.

(b) Section 4, paragraph (b), clause (3), is effective January 1, 2000.

(c) The remainder of this act is effective January 1, 1998."

Delete the title and insert:

"A bill for an act relating to personal watercraft; imposing personal watercraft restrictions; modifying personal watercraft regulations; requiring a personal watercraft safety certificate; creating a personal watercraft enforcement account; amending Minnesota Statutes 1996, section 86B.313, subdivisions 1, 3, 4, and by adding a subdivision."

And when so amended the bill do pass.

Pursuant to Joint Rule 2.03, the bill was referred to the Committee on Rules and Administration.

Mr. Hottinger from the Committee on Health and Family Security, to which was referred

S.F. No. 662: A bill for an act relating to health professions; establishing licensure requirements for part-time practitioners of psychology and for emeritus registrants; amending Minnesota Statutes 1996, sections 148.89, subdivision 4; and 148.96, subdivision 3; proposing coding for new law in Minnesota Statutes, chapter 148.

Reports the same back with the recommendation that the bill be amended as follows:

Delete everything after the enacting clause and insert:

"Section 1. Minnesota Statutes 1996, section 148.907, subdivision 2, is amended to read:

Subd. 2. [REQUIREMENTS FOR LICENSURE AS A LICENSED PSYCHOLOGIST.] To become licensed by the board as a licensed psychologist, an applicant shall comply with the following requirements:

(1) pass an examination in psychology;

(2) pass a professional responsibility examination on the practice of psychology;

(3) pass any other examinations as required by board rules;

(4) pay nonrefundable fees to the board for applications, processing, testing, renewals, and materials;

(5) have attained the age of majority, be of good moral character, and have no unresolved disciplinary action or complaints pending in the state of Minnesota or any other jurisdiction;

(6) have a doctoral degree with a major in psychology from a regionally accredited educational institution meeting the standards the board has established by rule; and

(7) have completed at least ~~two~~ one full ~~years~~ year or the equivalent in part time of postdoctoral supervised psychological employment.

Sec. 2. Minnesota Statutes 1996, section 148.907, subdivision 3, is amended to read:

Subd. 3. [MASTER'S LEVEL LICENSURE AS A LICENSED PSYCHOLOGIST AFTER AUGUST 1, 1991.] (a) A person licensed in this state as a licensed consulting psychologist or a licensed psychologist before August 1, 1991, qualifies for licensure as a licensed psychologist, as described in subdivision 2, at the time of license renewal.

(b) Providing all other licensure requirements have been satisfactorily met, the board shall grant licensure as a licensed psychologist to a person who:

(1) before November 1, 1991, entered a graduate program at a regionally accredited educational institution granting a master's or doctoral degree with a major in psychology which meets the standards the board has established by rule;

(2) before December 31, 1997, earned a master's degree or a master's equivalent in a doctoral program at a regionally accredited educational institution and complied with requirements of subdivision 2, clauses (1) to (5), except that the nonrefundable fees for licensure are payable at the time an application for licensure is submitted; and

(3) before December 31, 1998, completed at least ~~two~~ one full ~~years~~ year or the equivalent in part time of post-master's supervised psychological employment~~, which may include a predoctoral internship~~.

(c) Notwithstanding paragraph (b), the board shall not grant licensure as a licensed psychologist

under this subdivision unless the applicant demonstrates that the applicant was a resident of Minnesota on October 31, 1992, and meets all the requirements for licensure under this subdivision.

Sec. 3. Minnesota Statutes 1996, section 148.907, subdivision 4, is amended to read:

Subd. 4. [CONVERTING FROM MASTER'S TO DOCTORAL LEVEL LICENSURE.] To convert from licensure as a licensed psychologist at the master's or master's equivalent level to licensure at the doctoral level, a licensed psychologist shall have:

(1) completed an application provided by the board;

(2) had an official transcript documenting the conferral of the doctoral degree sent directly from the educational institution to the board;

(3) paid a nonrefundable fee;

(4) successfully completed ~~two~~ one full ~~years~~ year or the equivalent in part time of supervised psychological employment, which shall not include a predoctoral internship, after earning a master's degree or a master's equivalent in a doctoral program;

(5) successfully completed a predoctoral internship meeting the standards the board has established by rule; and

(6) received a doctoral degree with a major in psychology from a regionally accredited educational institution meeting the standards the board has established by rule.

Sec. 4. [148.909] [LICENSURE FOR VOLUNTEER PRACTICE.]

The board, at its discretion, may grant licensure for volunteer practice to an applicant who:

(1) is a former licensee who is completely retired from the practice of psychology;

(2) has no unresolved disciplinary action or complaints pending in the state of Minnesota or any other jurisdiction; and

(3) has held a license, certificate, or registration to practice psychology in any jurisdiction for at least 15 years.

Sec. 5. Minnesota Statutes 1996, section 148.96, subdivision 1, is amended to read:

Subdivision 1. [REQUIREMENTS FOR PROFESSIONAL IDENTIFICATION.] All licensees, when representing themselves in activities relating to the practice of psychology, including in written materials or advertising, shall identify the academic degree upon which their licensure is based, as well as their level of licensure. Individuals licensed on the basis of the equivalent of a master's degree in a doctoral program shall similarly use the designation "M. Eq." to identify the educational status on which their licensure is based, as well as their level of licensure.

Sec. 6. Minnesota Statutes 1996, section 148.96, subdivision 3, is amended to read:

Subd. 3. [REQUIREMENTS FOR REPRESENTATIONS TO THE PUBLIC.] (a) Unless licensed under sections 148.88 to 148.98, except as provided in paragraphs (b) through ~~(d)~~ (e), persons shall not ~~present~~ represent themselves or permit themselves to be ~~presented~~ represented to the public by:

(1) using any title or description of services incorporating the words "psychology," "psychological," "psychological practitioner," or "psychologist"; or

(2) representing that the person has expert qualifications in an area of psychology.

(b) Psychologically trained individuals who are employed by an educational institution recognized by a regional accrediting organization, by a federal, state, county, or local government

institution, agencies, or research facilities, may represent themselves by the title designated by that organization.

(c) A psychologically trained individual from an institution described in paragraph (b) may offer lecture services and is exempt from the provisions of this section.

(d) A person who is preparing for the practice of psychology under supervision in accordance with board statutes and rules may be designated as a "psychological intern," "psychological trainee," or by other terms clearly describing the person's training status.

(e) Former licensees who are completely retired from the practice of psychology may represent themselves using the descriptions in paragraph (a), clauses (1) and (2), but shall not represent themselves or allow themselves to be represented as current licensees of the board.

(f) Nothing in this section shall be construed to prohibit the practice of school psychology by a person licensed in accordance with chapter 125.

Sec. 7. [EFFECTIVE DATE.]

Sections 1 to 3 are effective the day following final enactment."

Delete the title and insert:

"A bill for an act relating to health professions; establishing licensure requirements for volunteer practitioners of psychology; modifying requirements for licensure as licensed psychologists and for professional identification; amending Minnesota Statutes 1996, sections 148.907, subdivisions 2, 3, and 4; and 148.96, subdivisions 1 and 3; proposing coding for new law in Minnesota Statutes, chapter 148."

And when so amended the bill do pass. Amendments adopted. Report adopted.

Mr. Vickerman from the Committee on Local and Metropolitan Government, to which was re-referred

S.F. No. 442: A bill for an act relating to utilities; modifying provisions relating to municipal utilities, cooperative electric cooperatives, and natural gas pipelines; regulating use of public rights-of-way by telecommunications carriers; creating task force; requiring rulemaking; amending Minnesota Statutes 1996, sections 237.04; 237.16, subdivision 1; and 237.74, subdivision 5; proposing coding for new law in Minnesota Statutes, chapters 237; and 238; repealing Minnesota Statutes 1996, section 237.163, subdivision 5.

Reports the same back with the recommendation that the bill be amended as follows:

Page 4, line 4, after "county" insert a comma

Page 4, line 6, after "roadway," insert "highway,"

Page 4, line 9, delete the colon

Page 4, delete line 10

Page 4, line 11, delete everything before "other"

Page 6, line 18, before "safety" insert "public and worker"

Page 6, line 21, delete "duplicative" and insert "competing"

Page 6, line 36, delete "election" and insert "option"

Page 7, line 20, delete "city" and insert "local government unit"

Page 8, line 25, delete "specific" and delete "contained in" and insert "of"

Page 8, line 30, delete "users" and insert "use"

Page 9, line 1, after "a" insert "material" and delete "any material" and insert "a"

Page 10, line 36, before the period, insert "; and

(4) imposed in a manner so that above-ground uses of public rights-of-way do not bear costs incurred by the local government unit to regulate underground uses of public rights-of-way"

Page 11, line 1, after "The" insert "rights," and after "duties" insert a comma and after "obligations" insert "regarding the use of the public right-of-way"

Page 11, line 3, before the period, insert "while recognizing regulation must reflect the distinct engineering, construction, operation, maintenance and public and worker safety requirements, and standards applicable to various users of the public rights-of-way"

Page 11, line 4, after the comma, insert "to the extent" and after "those" insert "rights," and after "duties" insert a comma

Page 11, line 5, delete "may be" and insert "are" and delete ", and satisfied according to,"

Page 11, line 6, before the period, insert ", the terms of the franchise shall prevail over any conflicting provision in an ordinance"

Page 11, line 13, delete "or"

Page 11, line 16, before the period, insert "; or

(4) require a telecommunications right-of-way user to obtain a franchise or pay for the use of the right-of-way"

Page 13, after line 9, insert:

"Sec. 7. [237.81] [SCOPE.]

To the extent they regulate telecommunications right-of-way users, sections 1 to 5 supersede sections 222.37, 300.03, and 300.04, and any ordinance, regulation, or rule to the contrary."

Page 13, delete section 8

Page 13, line 31, delete "and"

Page 13, line 33, before the period, insert "; and the recommended terms of a model ordinance or ordinances regulating use of public rights-of-way under the jurisdiction of local government units. The model ordinance or ordinances is advisory, and is not binding on local government units"

Renumber the sections in sequence

And when so amended the bill do pass. Amendments adopted. Report adopted.

Ms. Flynn from the Committee on Transportation, to which was referred

H.F. No. 243: A bill for an act relating to traffic regulations; requiring wheel flaps on truck tractors; regulating weight restrictions on vehicle axles; making technical changes; amending Minnesota Statutes 1996, sections 169.733, subdivision 1; 169.825, subdivision 8; and 299D.06.

Reports the same back with the recommendation that the bill be amended as follows:

Page 1, delete section 1

Page 2, after line 35, insert:

"Sec. 2. Minnesota Statutes 1996, section 169.85, is amended to read:

169.85 [WEIGHING; PENALTY.]

The driver of a vehicle which has been lawfully stopped may be required by a peace officer to submit the vehicle and load to a weighing by means of portable or stationary scales, and the peace officer may require that the vehicle be driven to the nearest available scales if the distance to the scales is no further than five miles, or if the distance from the point where the vehicle is stopped to the vehicle's destination is not increased by more than ten miles as a result of proceeding to the nearest available scales. Official traffic control devices as authorized by section 169.06 may be used to direct the driver to the nearest scale. When a truck weight enforcement operation is conducted by means of portable or stationary scales and signs giving notice of the operation are posted within the highway right-of-way and adjacent to the roadway within two miles of the operation, the driver of a truck or combination of vehicles registered for or weighing in excess of ~~12,000~~ 10,000 pounds shall proceed to the scale site and submit the vehicle to weighing and inspection.

Upon weighing a vehicle and load, as provided in this section, an officer may require the driver to stop the vehicle in a suitable place and remain standing until a portion of the load is removed that is sufficient to reduce the gross weight of the vehicle to the limit permitted under section 169.825. A suitable place is a location where loading or tampering with the load is not prohibited by federal, state, or local law, rule or ordinance. A driver may be required to unload a vehicle only if the weighing officer determines that (a) on routes subject to the provisions of section 169.825, the weight on an axle exceeds the lawful gross weight prescribed by section 169.825, by 2,000 pounds or more, or the weight on a group of two or more consecutive axles in cases where the distance between the centers of the first and last axles of the group under consideration is ten feet or less exceeds the lawful gross weight prescribed by section 169.825, by 4,000 pounds or more; or (b) on routes designated by the commissioner in section 169.832, subdivision 11, the overall weight of the vehicle or the weight on an axle or group of consecutive axles exceeds the maximum lawful gross weights prescribed by section 169.825; or (c) the weight is unlawful on an axle or group of consecutive axles on a road restricted in accordance with section 169.87. Material unloaded must be cared for by the owner or driver of the vehicle at the risk of the owner or driver.

A driver of a vehicle who fails or refuses to stop and submit the vehicle and load to a weighing as required in this section, or who fails or refuses, when directed by an officer upon a weighing of the vehicle, to stop the vehicle and otherwise comply with the provisions of this section, is guilty of a misdemeanor."

Renumber the sections in sequence

Amend the title as follows:

Page 1, line 2, delete "requiring wheel flaps"

Page 1, line 3, delete "on truck tractors;"

Page 1, line 5, delete "169.733, subdivision"

Page 1, line 6, delete "1;" and after "8;" insert "169.85;"

And when so amended the bill do pass. Amendments adopted. Report adopted.

Ms. Ranum from the Committee on Judiciary, to which was re-referred

S.F. No. 100: A bill for an act relating to state government; establishing the Minnesota office of technology; creating North Star information access account; appropriating money; amending Minnesota Statutes 1996, sections 16B.46; and 16B.465, subdivisions 1, 3, 4, and 6; proposing coding for new law as Minnesota Statutes, chapter 237A; repealing Minnesota Statutes 1996, sections 15.95; 15.96; 16B.40; 16B.41; and 16B.43.

Reports the same back with the recommendation that the bill be amended as follows:

Page 3, line 25, after "initiatives" insert ", consistent with chapter 13,"

Page 3, line 35, before "facilitate" insert "work with others, including the department of administration, to"

Page 4, line 11, after "director" insert "of the office of technology"

Page 4, line 34, after "office" insert "of technology"

Page 5, line 18, after "director" insert "of the office of technology"

Page 6, line 4, after "design" insert a comma and delete "development," and insert "development;"

Page 6, line 5, delete "requirements, feasibility," and insert "requirements; feasibility;"

Page 6, lines 30 and 31, delete "assure" and insert "ensure"

Page 7, line 12, after "office" insert "of technology"

Page 7, line 27, delete "assure" and insert "ensure"

Page 7, line 30, delete everything after the period

Page 7, delete lines 31 to 33

Page 7, line 34, delete everything before "The"

Page 8, line 25, delete "assure" and insert "ensure"

Page 8, line 35, delete "following" and insert "establishment of"

Page 8, line 36, delete "establishment of"

Page 9, line 1, after the semicolon, insert "and"

Page 9, delete lines 2 to 4

Page 9, line 5, delete "(3) establishment of" and insert "(2)"

Page 9, line 23, delete "to (3)" and insert "and (2)"

Page 9, lines 26 and 27, delete "the intergovernmental information systems advisory council" and insert "interested persons"

Page 9, line 30, delete "information" and insert "services"

Page 9, delete lines 33 and 34

Page 9, line 35, delete "(4)" and insert "(3)"

Page 9, line 36, delete "data" and insert "services"

Page 10, delete lines 15 to 26 and insert:

"The following data submitted to the office of technology by businesses are private data on individuals or nonpublic data: financial statements, business plans, income and expense projections, customer lists, and market and feasibility studies not paid for with public funds.

Sec. 8. [EFFECTIVE DATE.]

This article is effective July 1, 1997."

Pages 10 and 11, delete sections 1 and 2

Pages 12 and 13, delete sections 4 and 5 and insert:

"Sec. 2. [16B.466] [ADMINISTRATION OF STATE COMPUTER FACILITIES.]

Subdivision 1. [COMMISSIONER'S RESPONSIBILITY.] The commissioner of administration shall integrate and operate the state's centralized computer facilities to serve the needs of state government. The commissioner shall provide technical assistance to state agencies in the design, development, and operation of their computer systems.

Subd. 2. [DATA SECURITY SYSTEMS.] In consultation with the attorney general and appropriate agency heads, the commissioner shall install and administer state data security systems on the state's centralized computer facility consistent with state law to ensure the integrity of computer-based and other data and to ensure applicable limitations on access to data, consistent with the public's right to know. Each department or agency head is responsible for the security of the department's or agency's data.

Subd. 3. [JOINT ACTIONS.] The commissioner may, within available funding, join with the federal government, other states, local governments, and organizations representing those groups either jointly or severally in the development and implementation of systems analysis, information services, and computerization projects."

Page 13, line 11, after "the" insert "Minnesota"

Page 13, line 18, delete "Articles 1 and 2 are" and insert " This article is"

Renumber the sections in sequence

Amend the title as follows:

Page 1, line 5, delete "sections 16B.46; and" and insert "section"

Page 1, line 6, delete "subdivisions 1, 3, 4, and 6" and insert "subdivision 3" and after the semicolon, insert "proposing coding for new law in Minnesota Statutes, chapter 16B;"

And when so amended the bill do pass and be re-referred to the Committee on Governmental Operations and Veterans.

Pursuant to Joint Rule 2.03, the bill was referred to the Committee on Rules and Administration.

Mr. Moe, R.D. from the Committee on Rules and Administration, to which was referred

H.F. No. 1382 for comparison with companion Senate File, reports the following House File was found identical and recommends the House File be given its second reading and substituted for its companion Senate File as follows:

GENERAL ORDERS		CONSENT CALENDAR		CALENDAR	
H.F. No.	S.F. No.	H.F. No.	S.F. No.	H.F. No.	S.F. No.
1382	1051				

and that the above Senate File be indefinitely postponed.

Pursuant to Rule 49, this report was prepared and submitted by the Secretary of the Senate on behalf of the Committee on Rules and Administration. Report adopted.

SECOND READING OF SENATE BILLS

S.F. Nos. 884, 1000, 662 and 442 were read the second time.

SECOND READING OF HOUSE BILLS

H.F. Nos. 454, 243 and 1382 were read the second time.

MOTIONS AND RESOLUTIONS

Ms. Runbeck moved that her name be stricken as a co-author to S.F. No. 200. The motion prevailed.

Mrs. Lourey moved that the name of Ms. Robertson be added as a co-author to S.F. No. 1619. The motion prevailed.

Mrs. Lourey moved that the name of Ms. Anderson be added as a co-author to S.F. No. 1822. The motion prevailed.

Mr. Moe, R.D. moved that Senate Resolution No. 32 be taken from the table. The motion prevailed.

Senate Resolution No. 32: A Senate resolution congratulating Harold Stassen on his life's achievements.

WHEREAS, even as a young man, Harold Stassen was accomplishing wondrous feats, graduating from high school at the age of 15;

WHEREAS, after waiting a year, he was able to enroll at the University of Minnesota in 1922 and went on to graduate from the University of Minnesota Law School; and

WHEREAS, in 1929, at the age of 23, he was elected Dakota County Attorney and held that office until 1938 when he ran for and was elected governor of Minnesota; and

WHEREAS, the youngest governor in Minnesota's history, the "boy wonder of Minnesota" was elected to three terms; and

WHEREAS, Harold accomplished many visions while governor and worked diligently for the citizens of Minnesota, improving the quality of life for individuals and businesses alike; and

WHEREAS, after serving the state of Minnesota he resigned to enter the Navy during WWII, serving with distinction as an aide to Admiral William "Bull" Halsey; and

WHEREAS, impressed with Harold's writings on world organization for peace, President Roosevelt appointed him as a delegate to help write the United Nations Charter, of which he is the sole surviving signatory; and

WHEREAS, under President Eisenhower, Harold headed the Foreign Operations Administration, was special advisor on disarmament, and spent five years as a top aide to the president; and

WHEREAS, since 1964, Harold has been in private practice of international law here in Minnesota; and

WHEREAS, a visionary, a man of peace, and a great humanitarian, he continues to believe that serving the common good is one of the great responsibilities of freedom; NOW, THEREFORE,

BE IT RESOLVED by the Senate of the State of Minnesota that it honors Harold Stassen for his continuing achievements as a political leader and as a citizen.

BE IT FURTHER RESOLVED that the Secretary of the Senate is directed to prepare an enrolled copy of this resolution, to be authenticated by his signature and that of the Chair of the Senate Rules and Administration Committee, and transmit it to Harold Stassen.

Mr. Moe, R.D. moved the adoption of the foregoing resolution. The motion prevailed. So the resolution was adopted.

Mr. Belanger moved that his name be stricken as chief author and the name of Mr. Johnson, D.E. be added as chief author to S.F. No. 238. The motion prevailed.

Mr. Day moved that his name be stricken as a co-author to S.F. No. 238. The motion prevailed.

Mr. Johnson, D.E. moved that the name of Mr. Langseth be added as a co-author to S.F. No. 238. The motion prevailed.

Mr. Moe, R.D. moved that the name of Mr. Johnson, D.E. be added as a co-author to Senate Resolution No. 32. The motion prevailed.

Without objection, remaining on the Order of Business of Motions and Resolutions, the Senate reverted to the Orders of Business of Reports of Committees and Second Reading of Senate Bills.

REPORTS OF COMMITTEES

Ms. Junge moved that the Committee Reports at the Desk be now adopted, with the exception of the reports on S.F. Nos. 1208 and 1038. The motion prevailed.

Mr. Cohen from the Committee on State Government Finance, to which was referred

S.F. No. 1881: A bill for an act relating to the organization and operation of state government; appropriating money for the department of transportation and other agencies with certain conditions; regulating certain activities and practices; providing for fees; establishing revolving account; requiring a study; amending Minnesota Statutes 1996, sections 16B.335, subdivision 1; 168.011, subdivision 9; 168.018; 168A.29, subdivision 1; 169.974, subdivision 2; 171.06, subdivision 2a; 171.13, by adding a subdivision; 173.13, subdivision 4; 296.16, subdivision 1; 360.015, by adding a subdivision; 360.017, subdivision 1; and 457A.04, subdivision 2; proposing coding for new law in Minnesota Statutes, chapter 299A.

Reports the same back with the recommendation that the bill be amended as follows:

Page 4, delete lines 49 and 50 and insert:

"This appropriation is available for expenditure
in either year of the biennium."

Page 11, delete lines 56 and 57 and insert:

"This appropriation is available for expenditure
in either year of the biennium."

Page 14, line 47, delete everything after "impoundment" and insert a period

Page 14, delete lines 48 to 50 and insert "This appropriation cancels unless a law is enacted in 1997 which requires the department of public safety to implement this campaign."

Page 17, line 10, delete everything after "records" and insert a period

Page 17, delete lines 11 to 13 and insert "This appropriation cancels unless a law is enacted in 1997 which requires the department of public safety to record blood alcohol concentration on a driver's record."

Page 17, line 17, delete everything after "impoundments" and insert a period

Page 17, delete lines 18 to 20 and insert "This appropriation cancels unless a law is enacted in 1997 which requires the commissioner of public safety to impound a vehicle's license plates upon a second DWI conviction within five years on the part of the vehicle's owner."

Page 19, after line 22, insert:

"Sec. 2. Minnesota Statutes 1996, section 161.082, is amended by adding a subdivision to read:

Subd. 3. [TRANSFERS TO TURNBACK ACCOUNT.] (a) Whenever a county submits plans for a project to be funded from the county turnback account and the commissioner determines that the project would be approved for funding except for insufficient money in the county turnback account, the commissioner may transfer from the unencumbered balance of the construction account in the county state-aid highway fund an amount sufficient to pay the costs of the project.

(b) The commissioner may make a transfer under paragraph (a) only if the commissioner determines that the transfer would not reduce the unencumbered balance of the construction account in the county state-aid highway fund to less than $50,000,000.

(c) Not later than ten years after any transfer under paragraph (a), the commissioner shall transfer from the county turnback account to the construction account in the county state-aid highway fund an amount sufficient to repay the amount transferred under paragraph (a)."

Page 24, lines 23 and 30, delete "year" and insert "years 1998 and"

Page 27, line 29, delete "February 1, 1998" and insert "December 1, 1997"

Page 27, line 31, delete "14" and insert "15"

Renumber the sections in sequence

Amend the title as follows:

Page 1, line 8, after "1;" insert "161.082, by adding a subdivision;"

And when so amended the bill do pass. Amendments adopted. Report adopted.

Mr. Hottinger from the Committee on Health and Family Security, to which was re-referred

S.F. No. 1208: A bill for an act relating to health insurance; repealing the health care commission; modifying the regional coordinating boards; modifying the health technology advisory committee; expanding the eligibility of the MinnesotaCare program; modifying the enforcement mechanisms for the provider tax pass-through; modifying mandatory Medicare assignment; amending Minnesota Statutes 1996, sections 62A.61; 62J.07, subdivisions 1 and 3; 62J.09, subdivision 1; 62J.15, subdivision 1; 62J.152, subdivisions 1, 2, 4, and 5; 62J.17, subdivision 6a; 62J.22; 62J.25; 62J.2914, subdivision 1; 62J.2915; 62J.2916, subdivision 1; 62J.2917, subdivision 2; 62J.2921, subdivision 2; 62J.451, subdivision 6b; 62N.25, subdivision 5; 62Q.03, subdivision 5a; 62Q.33, subdivision 2; 256.9354, subdivision 5; 256.9355, by adding a subdivision; and 295.582; repealing Minnesota Statutes 1996, sections 62J.04, subdivisions 4 and 7; 62J.05; 62J.051; 62J.06; 62J.09, subdivision 3a; 62N.02, subdivision 3; 62Q.165, subdivision 3; 62Q.25; 62Q.29; and 62Q.41; Laws 1993, chapter 247, article 4, section 8; Laws 1994, chapter 625, article 5, section 5, subdivision 1, as amended; Laws 1995, chapter 96, section 2; and Laws 1995, First Special Session chapter 3, article 13, section 2.

Reports the same back with the recommendation that the bill be amended as follows:

Delete everything after the enacting clause and insert:

"ARTICLE 1

MINNESOTACARE PROGRAM/GAMC

Section 1. Minnesota Statutes 1996, section 256.9353, subdivision 1, is amended to read:

Subdivision 1. [COVERED HEALTH SERVICES.] "Covered health services" means the health services reimbursed under chapter 256B, with the exception of inpatient hospital services,

special education services, private duty nursing services, adult dental care services other than preventive services, orthodontic services, nonemergency medical transportation services, personal care assistant and case management services, nursing home or intermediate care facilities services, inpatient mental health services, and chemical dependency services. Effective July 1, 1998, adult dental care for nonpreventive services with the exception of orthodontic services is available to persons who qualify under section 256.9354, subdivisions 1 to 5, or 256.9366, with family gross income equal to or less than 175 percent of the federal poverty guidelines. Outpatient mental health services covered under the MinnesotaCare program are limited to diagnostic assessments, psychological testing, explanation of findings, medication management by a physician, day treatment, partial hospitalization, and individual, family, and group psychotherapy.

No public funds shall be used for coverage of abortion under MinnesotaCare except where the life of the female would be endangered or substantial and irreversible impairment of a major bodily function would result if the fetus were carried to term; or where the pregnancy is the result of rape or incest.

Covered health services shall be expanded as provided in this section.

Sec. 2. Minnesota Statutes 1996, section 256.9353, subdivision 3, is amended to read:

Subd. 3. [INPATIENT HOSPITAL SERVICES.] (a) Beginning July 1, 1993, covered health services shall include inpatient hospital services, including inpatient hospital mental health services and inpatient hospital and residential chemical dependency treatment, subject to those limitations necessary to coordinate the provision of these services with eligibility under the medical assistance spenddown. Prior to July 1, 1998, the inpatient hospital benefit for adult enrollees is subject to an annual benefit limit of $10,000. Effective July 1, 1997, the inpatient hospital benefit for adult enrollees who qualify under section 256.9354, subdivision 5, is subject to an annual limit of $10,000.

(b) Enrollees who qualify under section 256.9354, subdivision 5, are determined by the commissioner to have a basis of eligibility for medical assistance shall apply for and cooperate with the requirements of medical assistance by the last day of the third month following admission to an inpatient hospital. If an enrollee fails to apply for medical assistance within this time period, the enrollee and the enrollee's family shall be disenrolled from the plan and they may not reenroll until 12 calendar months have elapsed. Enrollees and enrollees' families disenrolled for not applying for or not cooperating with medical assistance may not reenroll.

(c) Admissions for inpatient hospital services paid for under section 256.9362, subdivision 3, must be certified as medically necessary in accordance with Minnesota Rules, parts 9505.0500 to 9505.0540, except as provided in clauses (1) and (2):

(1) all admissions must be certified, except those authorized under rules established under section 254A.03, subdivision 3, or approved under Medicare; and

(2) payment under section 256.9362, subdivision 3, shall be reduced by five percent for admissions for which certification is requested more than 30 days after the day of admission. The hospital may not seek payment from the enrollee for the amount of the payment reduction under this clause.

(d) Any enrollee or family member of an enrollee who has previously been permanently disenrolled from MinnesotaCare for not applying for and cooperating with medical assistance shall be eligible to reenroll if 12 calendar months have elapsed since the date of disenrollment.

Sec. 3. Minnesota Statutes 1996, section 256.9353, subdivision 7, is amended to read:

Subd. 7. [COPAYMENTS AND COINSURANCE.] The MinnesotaCare benefit plan shall include the following copayments and coinsurance requirements:

(1) ten percent of the charges submitted for inpatient hospital services for adult enrollees not eligible for medical assistance, subject to an annual inpatient out-of-pocket maximum of $1,000 per individual and $3,000 per family;

(2) $3 per prescription for adult enrollees; ~~and~~

(3) $25 for eyeglasses for adult enrollees; and

(4) effective July 1, 1998, 50 percent of charges submitted for adult dental care services other than preventive care services for persons eligible under section 256.9354, subdivisions 1 to 5, or 256.9366 with income equal to or less than 175 percent of the federal poverty guidelines.

Prior to July 1, 1997, enrollees who are not eligible for medical assistance with or without a spenddown shall be financially responsible for the coinsurance amount and amounts which exceed the $10,000 benefit limit. ~~MinnesotaCare shall be financially responsible for the spenddown amount up to the $10,000 benefit limit for enrollees who are eligible for medical assistance with a spenddown; enrollees who are eligible for medical assistance with a spenddown are financially responsible for amounts which exceed the $10,000 benefit limit.~~ Effective July 1, 1997, the inpatient hospital benefit for adult enrollees who qualify under section 256.9354, subdivision 5, and who are not eligible for medical assistance with or without a spenddown shall be financially responsible for the coinsurance amount and amounts, which exceed the $10,000 benefit limit.

Sec. 4. Minnesota Statutes 1996, section 256.9354, subdivision 4, is amended to read:

Subd. 4. [FAMILIES WITH CHILDREN; ELIGIBILITY BASED ON PERCENTAGE OF INCOME PAID FOR HEALTH COVERAGE.] Beginning January 1, 1993, "eligible persons" means children, parents, and dependent siblings residing in the same household ~~who are not eligible for medical assistance without a spenddown under chapter 256B~~. Children who meet the criteria in subdivision 1 or 4a shall continue to be enrolled pursuant to those subdivisions. Persons who are eligible under this subdivision or subdivision 2, 3, or 5 must pay a premium as determined under sections 256.9357 and 256.9358, and children eligible under subdivision 1 must pay the premium required under section 256.9356, subdivision 1. Individuals and families whose income is greater than the limits established under section 256.9358 may not enroll in MinnesotaCare.

Sec. 5. Minnesota Statutes 1996, section 256.9354, subdivision 5, is amended to read:

Subd. 5. [ADDITION OF SINGLE ADULTS AND HOUSEHOLDS WITH NO CHILDREN.] (a) Beginning October 1, 1994, the definition of "eligible persons" is expanded to include all individuals and households with no children who have gross family incomes that are equal to or less than 125 percent of the federal poverty guidelines and who are not eligible for medical assistance without a spenddown under chapter 256B.

~~(b) After October 1, 1995, the commissioner of human services may expand the definition of "eligible persons" to include all individuals and households with no children who have gross family incomes that are equal to or less than 135 percent of federal poverty guidelines and are not eligible for medical assistance without a spenddown under chapter 256B. This expansion may occur only if the financial management requirements of section 256.9352, subdivision 3, can be met.~~

~~(c) The commissioners of health and human services, in consultation with the legislative commission on health care access, shall make preliminary recommendations to the legislature by October 1, 1995, and final recommendations to the legislature by February 1, 1996, on whether a further expansion of the definition of "eligible persons" to include all individuals and households with no children who have gross family incomes that are equal to or less than 150 percent of federal poverty guidelines and are not eligible for medical assistance without a spenddown under chapter 256B would be allowed under the financial management constraints outlined in section 256.9352, subdivision 3.~~

~~(d)~~ (b) Beginning July 1, 1997, the definition of eligible persons is expanded to include all individuals and households with no children who have gross family incomes that are equal to or less than 175 percent of the federal poverty guidelines and who are not eligible for medical assistance without a spenddown under chapter 256B.

(c) All eligible persons under paragraphs (a) and (b) are eligible for coverage through the MinnesotaCare program but must pay a premium as determined under sections 256.9357 and

256.9358. Individuals and families whose income is greater than the limits established under section 256.9358 may not enroll in the MinnesotaCare program.

Sec. 6. Minnesota Statutes 1996, section 256.9354, subdivision 6, is amended to read:

Subd. 6. [APPLICANTS POTENTIALLY ELIGIBLE FOR MEDICAL ASSISTANCE.] Individuals who apply for MinnesotaCare who qualify under section 256.9354, subdivision 5, but who are potentially eligible for medical assistance without a spenddown shall be allowed to enroll in MinnesotaCare for a period of 60 days, so long as the applicant meets all other conditions of eligibility. The commissioner shall identify and refer such individuals to their county social service agency. The enrollee must cooperate with the county social service agency in determining medical assistance eligibility within the 60-day enrollment period. Enrollees who do not apply for and cooperate with medical assistance within the 60-day enrollment period, and their other family members, shall be disenrolled from the plan within one calendar month. Persons disenrolled for nonapplication for medical assistance may not reenroll until they have obtained a medical assistance eligibility determination for the family member or members who were referred to the county agency. Persons disenrolled for noncooperation with medical assistance may not reenroll until they have cooperated with the county agency and have obtained a medical assistance eligibility determination. The commissioner shall redetermine provider payments made under MinnesotaCare to the appropriate medical assistance payments for those enrollees who subsequently become eligible for medical assistance.

Sec. 7. Minnesota Statutes 1996, section 256.9354, subdivision 7, is amended to read:

Subd. 7. [GENERAL ASSISTANCE MEDICAL CARE.] A person cannot have coverage under both MinnesotaCare and general assistance medical care in the same month~~, except that a MinnesotaCare enrollee may be eligible for retroactive general assistance medical care according to section 256D.03, subdivision 3, paragraph (b)~~.

Sec. 8. Minnesota Statutes 1996, section 256.9354, is amended by adding a subdivision to read:

Subd. 8. [MINNESOTACARE OUTREACH.] The commissioner shall award grants to public or private organizations to provide information on the importance of maintaining insurance coverage and on how to obtain coverage through the MinnesotaCare program in areas of the state with high uninsured populations.

Information about MinnesotaCare coverage and enrollment shall be made available to insurance agents. A fee may be paid by the commissioner of human services to an insurance agent for each MinnesotaCare enrollee who is enrolled into the MinnesotaCare program as a result of a documented referral from that agent.

Sec. 9. Minnesota Statutes 1996, section 256.9355, subdivision 1, is amended to read:

Subdivision 1. [APPLICATION AND INFORMATION AVAILABILITY.] Applications and other information must be made available to provider offices, local human services agencies, school districts, public and private elementary schools in which 25 percent or more of the students receive free or reduced price lunches, community health offices, and Women, Infants and Children (WIC) program sites. These sites may accept applications~~, collect the enrollment fee or initial premium fee,~~ and forward the forms ~~and fees~~ to the commissioner. Otherwise, applicants may apply directly to the commissioner. Beginning January 1, 2000, MinnesotaCare enrollment sites will be expanded to include local county human services agencies which choose to participate.

Sec. 10. Minnesota Statutes 1996, section 256.9355, subdivision 4, is amended to read:

Subd. 4. [APPLICATION PROCESSING.] The commissioner of human services shall determine an applicant's eligibility for MinnesotaCare no more than 30 days from the date that the application is received by the department of human services. ~~This requirement shall be suspended for four months following the dates in which single adults and families without children become eligible for the program.~~ Beginning July 1, 2000, this requirement also applies to local county human services agencies that determine eligibility for MinnesotaCare.

Sec. 11. Minnesota Statutes 1996, section 256.9355, is amended by adding a subdivision to read:

Subd. 5. [AVAILABILITY OF PRIVATE INSURANCE.] The commissioner, in consultation with the commissioners of health and commerce, shall provide information regarding the availability of private health insurance coverage to all families and individuals enrolled in the MinnesotaCare program whose gross family income is equal to or more than 200 percent of the federal poverty guidelines. This information must be provided upon initial enrollment and annually thereafter.

Sec. 12. Minnesota Statutes 1996, section 256.9357, subdivision 3, is amended to read:

Subd. 3. [PERIOD UNINSURED.] To be eligible for subsidized premium payments based on a sliding scale, families and individuals initially enrolled in the MinnesotaCare program under section 256.9354, subdivisions 4 and 5, must have had no health coverage for at least four months prior to application. The commissioner may change this eligibility criterion for sliding scale premiums without complying with rulemaking requirements in order to remain within the limits of available appropriations. The requirement of at least four months of no health coverage prior to application for the MinnesotaCare program does not apply to:

(1) families, children, and individuals who ~~want to~~ apply for the MinnesotaCare program upon termination from or as required by the medical assistance program, general assistance medical care program, or coverage under a regional demonstration project for the uninsured funded under section 256B.73, the Hennepin county assured care program, or the Group Health, Inc., community health plan;

(2) families and individuals initially enrolled under section 256.9354, subdivisions 1, paragraph (a), and 2;

(3) children enrolled pursuant to Laws 1992, chapter 549, article 4, section 17; or

(4) individuals currently serving or who have served in the military reserves, and dependents of these individuals, if these individuals: (i) reapply for MinnesotaCare coverage after a period of active military service during which they had been covered by the Civilian Health and Medical Program of the Uniformed Services (CHAMPUS); (ii) were covered under MinnesotaCare immediately prior to obtaining coverage under CHAMPUS; and (iii) have maintained continuous coverage.

Sec. 13. Minnesota Statutes 1996, section 256.9359, subdivision 2, is amended to read:

Subd. 2. [RESIDENCY REQUIREMENT.] (a) Prior to July 1, 1997, to be eligible for health coverage under the MinnesotaCare program, families and individuals must be permanent residents of Minnesota.

(b) Effective July 1, 1997, to be eligible for health coverage under the MinnesotaCare program, adults without children must be permanent residents of Minnesota.

(c) Effective July 1, 1997, to be eligible for health coverage under the MinnesotaCare program, pregnant women, families, and children must meet the residency requirements as provided by Code of Federal Regulations, title 42, section 435.403, except that the provisions of section 256B.056, subdivision 1, shall apply upon receipt of federal approval.

Sec. 14. Minnesota Statutes 1996, section 256.9363, subdivision 5, is amended to read:

Subd. 5. [ELIGIBILITY FOR OTHER STATE PROGRAMS.] MinnesotaCare enrollees who become eligible for medical assistance or general assistance medical care will remain in the same managed care plan if the managed care plan has a contract for that population. Effective January 1, 1998, MinnesotaCare enrollees who were formerly eligible for general assistance medical care pursuant to section 256D.03, subdivision 3, within six months of MinnesotaCare enrollment and were enrolled in a prepaid health plan pursuant to section 256D.03, subdivision 4, paragraph (d), must remain in the same managed care plan if the managed care plan has a contract for that

population. Contracts between the department of human services and managed care plans must include MinnesotaCare, and medical assistance and may, at the option of the commissioner of human services, also include general assistance medical care.

Sec. 15. [256.955] [SENIOR CITIZEN DRUG PROGRAM.]

Subdivision 1. [ESTABLISHMENT.] The commissioner, in consultation with county social service agencies, shall establish and administer a senior citizen drug program. Qualified senior citizens shall be eligible for prescription drug coverage under the program beginning January 1, 1998.

Subd. 2. [DEFINITIONS.] (a) For purposes of this section, the following definitions apply.

(b) "Health plan" has the meaning provided in section 62Q.01, subdivision 3.

(c) "Health plan company" has the meaning provided in section 62Q.01, subdivision 4.

(d) "Qualified senior citizen" means an individual age 65 or older who:

(1) has a household income that does not exceed 120 percent of the federal poverty guidelines;

(2) owns assets whose value does not exceed twice the limit used to determine eligibility under the supplemental security income program;

(3) is enrolled in Medicare part A and part B;

(4) is not eligible for prescription drug coverage under a health plan;

(5) is not eligible for prescription drug coverage under a Medicare supplement plan, as defined in sections 62A.31 to 62A.44, or policies, contracts, or certificates that supplement Medicare issued by health maintenance organizations or those policies, contracts, or certificates governed by section 1833 or 1876 of the federal Social Security Act, United States Code, title 42, section 1395, et seq., as amended;

(6) is not eligible for medical assistance without a spenddown or general assistance medical care without a spenddown;

(7) has not had coverage described in clauses (4) and (5) for at least four months prior to application for the program; and

(8) is a permanent resident of Minnesota as defined in section 256.9359.

(b) Persons who initially enrolled in the senior citizen drug program under this section and whose income increases above the limits established in paragraph (a) may continue enrollment but must pay the full cost of coverage.

Subd. 3. [PRESCRIPTION DRUG COVERAGE.] (a) Coverage under the program is limited to prescription drugs covered under the medical assistance program, except as provided in paragraph (b).

(b) As of the date the commissioner determines that, in a given county, at least two health plan companies offer policies, contracts, or certificates governed by section 1833 or 1876 of the federal Social Security Act that provide a prescription drug benefit as part of their standard coverage for Medicare enrollees, eligibility for prescription drug coverage under the senior drug program for enrollees who are residents of the county shall be limited to coverage of prescription drug costs in excess of any annual expenditure limit for enrollees of the health plan companies.

Subd. 4. [APPLICATION PROCEDURES AND ADMINISTRATION.] Applications and information on the program must be made available at county social service agencies, health care provider offices, and agencies and organizations serving senior citizens. Senior citizens shall submit applications and any information specified by the commissioner as being necessary to verify eligibility directly to the county social service agencies. County social service agencies shall

determine an applicant's eligibility for the program within 30 days from the date the application is received.

Subd. 5. [DRUG UTILIZATION REVIEW PROGRAM.] The commissioner may implement a drug utilization review program for program enrollees. The commissioner shall establish a task force in accordance with section 15.014 to assist the commissioner in developing criteria for the utilization review program. The task force shall be comprised of an equal number of physicians and pharmacists with expertise in treating elderly persons, and shall use a consensus process to develop clinically relevant standards for drug utilization review designed to improve health care outcomes for senior citizens.

Subd. 6. [PHARMACY ENROLLMENT AND REIMBURSEMENT.] Pharmacies may apply to the commissioner to participate in the senior citizen drug program. The commissioner shall reimburse participating pharmacies for drug and dispensing costs at the MinnesotaCare reimbursement level, minus the copayment required under subdivision 7.

Subd. 7. [PREMIUM PAYMENTS AND COST SHARING.] (a) Program enrollees shall pay a $10 per month premium.

(b) Program enrollees shall pay a copayment of $10 for each prescription.

(c) Program enrollees must satisfy a $200 annual deductible, based upon expenditures for prescription drugs. The commissioner may adjust the annual deductible amount to stay within the program's appropriation.

(d) The commissioner shall include payments or expenditures by an enrollee under this subdivision as expenses for medical care when determining an enrollee's eligibility for medical assistance or general assistance medical care based upon a spenddown.

Subd. 8. [REPORT.] The commissioner shall annually report to the legislature on the senior citizen drug program. The report must include demographic information on enrollees, per-prescription expenditures, total program expenditures, hospital and nursing home costs avoided by enrollees, any savings to medical assistance and Medicare resulting from the provision of prescription drug coverage under Medicare by health maintenance organizations, other public and private options for drug assistance to the senior population, and any recommendations for changes in the senior drug program.

Sec. 16. Minnesota Statutes 1996, section 256B.04, is amended by adding a subdivision to read:

Subd. 19. [PRESCRIPTION DRUG CONTRACT REQUIREMENT.] The commissioner shall include, as part of any medical assistance prescription drug contract with a drug manufacturer or drug wholesaler, a requirement that the drug manufacturer or drug wholesaler agree to extend the medical assistance rebate to the senior citizen drug program established under section 256.955.

Sec. 17. Minnesota Statutes 1996, section 256D.03, subdivision 3, is amended to read:

Subd. 3. [GENERAL ASSISTANCE MEDICAL CARE; ELIGIBILITY.] (a) General assistance medical care may be paid for any person who is not eligible for medical assistance under chapter 256B, including eligibility for medical assistance based on a spenddown of excess income according to section 256B.056, subdivision 5, or MinnesotaCare as defined in clause (4), except as provided in paragraph (b); and:

(1) who is receiving assistance under section 256D.05, except for families with children who are eligible under Minnesota family investment program-statewide (MFIP-S), or who is having a payment made on the person's behalf under sections 256I.01 to 256I.06; or

(2)(i) who is a resident of Minnesota; and whose equity in assets is not in excess of $1,000 per assistance unit. No asset test shall be applied to children and their parents living in the same household. Exempt assets, the reduction of excess assets, and the waiver of excess assets must conform to the medical assistance program in chapter 256B, with the following exception: the maximum amount of undistributed funds in a trust that could be distributed to or on behalf of the

beneficiary by the trustee, assuming the full exercise of the trustee's discretion under the terms of the trust, must be applied toward the asset maximum; and

(ii) who has countable income not in excess of the assistance standards established in section 256B.056, subdivision 4, or whose excess income is spent down pursuant to section 256B.056, subdivision 5, using a six-month budget period~~, except that a one-month budget period must be used for recipients residing in a long-term care facility~~. The method for calculating earned income disregards and deductions for a person who resides with a dependent child under age 21 shall ~~be as specified in section 256.74, subdivision 1~~ follow section 256B.056, subdivision 1a. However, if a disregard of $30 and one-third of the remainder ~~described in section 256.74, subdivision 1, clause (4),~~ has been applied to the wage earner's income, the disregard shall not be applied again until the wage earner's income has not been considered in an eligibility determination for general assistance, general assistance medical care, medical assistance, or ~~aid to families with dependent children~~ MFIP-S for 12 consecutive months. The earned income and work expense deductions for a person who does not reside with a dependent child under age 21 shall be the same as the method used to determine eligibility for a person under section 256D.06, subdivision 1, except the disregard of the first $50 of earned income is not allowed; or

(3) who would be eligible for medical assistance except that the person resides in a facility that is determined by the commissioner or the federal health care financing administration to be an institution for mental diseases.

(4) Beginning July 1, 1998, applicants or recipients who meet all eligibility requirements of MinnesotaCare as defined in sections 256.9351 to 256.9363 and 256.9366 to 256.9369, and are:

(i) adults with dependent children under 21 whose gross family income is equal to or less than 275 percent of the federal poverty guidelines; or

(ii) adults without children with earned income and whose family gross income is between 75 percent of the federal poverty guidelines and the amount set by section 256.9354, subdivision 5, shall be terminated from general assistance medical care upon enrollment in MinnesotaCare.

(b) ~~Eligibility is available for the month of application, and for three months prior to application if the person was eligible in those prior months.~~ (1) For services rendered on or after July 1, 1997, eligibility is limited to one month prior to application if the person is determined eligible in the prior month. A redetermination of eligibility must occur every 12 months. Beginning July 1, 1998, Minnesota health care program applications completed by recipients and applicants who are persons described in paragraph (a), clause (4), may be returned to the county agency to be forwarded to the department of human services or sent directly to the department of human services for enrollment in MinnesotaCare. If all other eligibility requirements of this subdivision are met, eligibility for general assistance medical care shall be available in any month during which a MinnesotaCare eligibility determination and enrollment are pending. Upon notification of eligibility for MinnesotaCare, notice of termination for eligibility for general assistance medical care shall be sent to an applicant or recipient. If all other eligibility requirements of this subdivision are met, eligibility for general assistance medical care shall be available until enrollment in MinnesotaCare subject to the provisions of paragraph (d).

(2) An initial Minnesota health care program application shall be considered complete and determination of eligibility underway if the recipient and applicant has provided their name, address, social security number, and best estimate of prior year's income. If the recipient or applicant is unable to provide this information when health care is delivered due to a medical condition or disability, a health care provider may act on their behalf to complete the initial application.

(3) County agencies are authorized to use all automated databases containing information regarding recipients' or applicants' income in order to determine eligibility for general assistance medical care or MinnesotaCare. Such use shall be considered sufficient in order to determine eligibility and premium payments by the county agency.

(c) General assistance medical care is not available for a person in a correctional facility unless

the person is detained by law for less than one year in a county correctional or detention facility as a person accused or convicted of a crime, or admitted as an inpatient to a hospital on a criminal hold order, and the person is a recipient of general assistance medical care at the time the person is detained by law or admitted on a criminal hold order and as long as the person continues to meet other eligibility requirements of this subdivision.

(d) General assistance medical care is not available for applicants or recipients who do not cooperate with the county agency to meet the requirements of medical assistance. General assistance medical care is limited to payment of emergency services only for applicants or recipients as described in paragraph (a), clause (4), whose MinnesotaCare coverage is denied or terminated for nonpayment of premiums as required by sections 256.9356 to 256.9358.

(e) In determining the amount of assets of an individual, there shall be included any asset or interest in an asset, including an asset excluded under paragraph (a), that was given away, sold, or disposed of for less than fair market value within the 60 months preceding application for general assistance medical care or during the period of eligibility. Any transfer described in this paragraph shall be presumed to have been for the purpose of establishing eligibility for general assistance medical care, unless the individual furnishes convincing evidence to establish that the transaction was exclusively for another purpose. For purposes of this paragraph, the value of the asset or interest shall be the fair market value at the time it was given away, sold, or disposed of, less the amount of compensation received. For any uncompensated transfer, the number of months of ineligibility, including partial months, shall be calculated by dividing the uncompensated transfer amount by the average monthly per person payment made by the medical assistance program to skilled nursing facilities for the previous calendar year. The individual shall remain ineligible until this fixed period has expired. The period of ineligibility may exceed 30 months, and a reapplication for benefits after 30 months from the date of the transfer shall not result in eligibility unless and until the period of ineligibility has expired. The period of ineligibility begins in the month the transfer was reported to the county agency, or if the transfer was not reported, the month in which the county agency discovered the transfer, whichever comes first. For applicants, the period of ineligibility begins on the date of the first approved application.

(f)(1) Beginning October 1, 1993, an undocumented alien or a nonimmigrant is ineligible for general assistance medical care other than emergency services. For purposes of this subdivision, a nonimmigrant is an individual in one or more of the classes listed in United States Code, title 8, section 1101(a)(15), and an undocumented alien is an individual who resides in the United States without the approval or acquiescence of the Immigration and Naturalization Service.

(2) This subdivision does not apply to a child under age 18, to a Cuban or Haitian entrant as defined in Public Law Number 96-422, section 501(e)(1) or (2)(a), or to an alien who is aged, blind, or disabled as defined in United States Code, title 42, section 1382c(a)(1).

(3) For purposes of ~~paragraph~~ paragraphs (d) and (f), "emergency services" has the meaning given in Code of Federal Regulations, title 42, section 440.255(b)(1), except that it also means services rendered because of suspected or actual pesticide poisoning.

Sec. 18. [TRANSITION PLAN FOR MINNESOTACARE ENROLLEES.]

(a) The commissioner of human services, in consultation with the legislative commission on health care access and the commissioners of employee relations, health, and commerce, shall develop an implementation plan to transition higher-income MinnesotaCare enrollees to private sector or other nonsubsidized coverage. In developing the plan, the commissioner shall examine the feasibility of using the health insurance program for state employees administered by the commissioner of employee relations as a source of coverage, and shall also examine methods to increase the affordability of private sector coverage for individuals and families transitioning off MinnesotaCare. The commissioner shall submit the implementation plan to the legislature by December 15, 1997.

(b) The commissioner of human services shall also report to the legislature by January 15, 1998, on the impact of the outreach efforts conducted by the department of human services for the MinnesotaCare program, affordability of the MinnesotaCare premium schedule, and the reasons

why families and individuals are leaving the MinnesotaCare program; regarding recommendations on the eligibility income level that will result in the greatest number of individuals having health insurance; what will encourage greater availability of coverage in the private market; steps to increase the availability of insurance in the small employer market; the need, if any, for increasing the MinnesotaCare program eligibility level for single adults and households without children; and shall make recommendations on the feasibility of increasing the eligibility income level for single adults and households without children in the MinnesotaCare program.

Sec. 19. [REIMBURSEMENT RATE INCREASE.]

Notwithstanding statutory provisions to the contrary, the commissioner of human services shall increase reimbursement rates under the MinnesotaCare program by 15 percent for dental services rendered on or after July 1, 1997.

Sec. 20. [EFFECTIVE DATE.]

Section 4 is effective July 1, 1998.

ARTICLE 2

MISCELLANEOUS CHANGES TO HEALTH CARE REFORM

Section 1. Minnesota Statutes 1996, section 60A.951, subdivision 5, is amended to read:

Subd. 5. [INSURER.] "Insurer" means insurance company, risk retention group as defined in section 60E.02, service plan corporation as defined in section 62C.02, health maintenance organization as defined in section 62D.02, community integrated service network as defined in section 62N.02, fraternal benefit society regulated under chapter 64B, township mutual company regulated under chapter 67A, joint self-insurance plan or multiple employer trust regulated under chapter 60F, 62H, or section 471.617, subdivision 2, persons administering a self-insurance plan as defined in section 60A.23, subdivision 8, clause (2), paragraphs (a) and (d), and the workers' compensation reinsurance association established in section 79.34.

Sec. 2. Minnesota Statutes 1996, section 62A.61, is amended to read:

62A.61 [DISCLOSURE OF METHODS USED BY HEALTH CARRIERS TO DETERMINE USUAL AND CUSTOMARY FEES.]

(a) A health carrier that bases reimbursement to health care providers upon a usual and customary fee must maintain in its office a copy of a description of the methodology used to calculate fees including at least the following:

(1) the frequency of the determination of usual and customary fees;

(2) a general description of the methodology used to determine usual and customary fees; and

(3) the percentile of usual and customary fees that determines the maximum allowable reimbursement.

(b) A health carrier must provide a copy of the information described in paragraph (a) to ~~the Minnesota health care commission,~~ the commissioner of health~~,~~ or the commissioner of commerce, upon request.

(c) The commissioner of health or the commissioner of commerce, as appropriate, may use to enforce this section any enforcement powers otherwise available to the commissioner with respect to the health carrier. ~~The appropriate commissioner shall enforce compliance with a request made under this section by the Minnesota health care commission, at the request of the commissioner.~~ The commissioner of health or commerce, as appropriate, may require health carriers to provide the information required under this section and may use any powers granted under other laws relating to the regulation of health carriers to enforce compliance.

(d) For purposes of this section, "health carrier" has the meaning given in section 62A.011.

Sec. 3. Minnesota Statutes 1996, section 62J.017, is amended to read:

62J.017 [IMPLEMENTATION TIMETABLE.]

The state seeks to complete the restructuring of the health care delivery and financing system. Beginning July 1, 1994, measures will be taken to increase the public accountability of existing health plan companies, to promote the development of small, community-based integrated service networks, and to reduce administrative costs by standardizing third-party billing forms and procedures and utilization review requirements. ~~Voluntary formation of other integrated service networks will begin after rules have been adopted, but not before July 1, 1996. Statutes and rules for the restructured health care financing and delivery system must be enacted or adopted by January 1, 1996.~~

Sec. 4. Minnesota Statutes 1996, section 62J.06, is amended to read:

62J.06 [IMMUNITY FROM LIABILITY.]

No member of the ~~Minnesota health care commission established under section 62J.05,~~ regional coordinating boards established under section 62J.09, or the health technology advisory committee established under section 62J.15, shall be held civilly or criminally liable for an act or omission by that person if the act or omission was in good faith and within the scope of the member's responsibilities under this chapter.

Sec. 5. Minnesota Statutes 1996, section 62J.07, subdivision 1, is amended to read:

Subdivision 1. [LEGISLATIVE OVERSIGHT.] The legislative commission on health care access reviews the activities of the commissioner of health, the ~~state health care commission~~ regional coordinating boards, the health technology advisory committee, and all other state agencies involved in the implementation and administration of this chapter, including efforts to obtain federal approval through waivers and other means.

Sec. 6. Minnesota Statutes 1996, section 62J.07, subdivision 3, is amended to read:

Subd. 3. [REPORTS TO THE COMMISSION.] The commissioner of health ~~and the Minnesota health care commission~~, the regional coordinating boards, and the health technology advisory committee shall report on their activities ~~and the activities of the regional boards~~ annually and at other times at the request of the legislative commission on health care access. The commissioners of health, commerce, and human services shall provide periodic reports to the legislative commission on the progress of rulemaking that is authorized or required under this act and shall notify members of the commission when a draft of a proposed rule has been completed and scheduled for publication in the State Register. At the request of a member of the commission, a commissioner shall provide a description and a copy of a proposed rule.

Sec. 7. Minnesota Statutes 1996, section 62J.09, subdivision 1, is amended to read:

Subdivision 1. [GENERAL DUTIES.] (a) The commissioner shall divide the state into five rural regions, which shall include all areas of the state, except for the seven-county metropolitan area.

~~The~~ (b) Each rural region shall establish a locally controlled regional coordinating ~~boards are locally controlled boards~~ board consisting of providers, health plan companies, employers, consumers, and elected officials. Regional coordinating boards may:

(1) undertake voluntary activities to educate consumers, providers, and purchasers about community plans and projects promoting health care cost containment, consumer accountability, access, and quality and efforts to achieve public health goals;

(2) make recommendations to the commissioner regarding ways of improving affordability, accessibility, and quality of health care in the region and throughout the state;

(3) provide technical assistance to parties interested in establishing or operating a community

integrated service network or integrated service network within the region. This assistance must complement assistance provided by the commissioner under section 62N.23;

(4) advise the commissioner on public health goals, taking into consideration the relevant portions of the community health service plans, plans required by the Minnesota comprehensive adult mental health act, the Minnesota comprehensive children's mental health act, and the community social service act plans developed by county boards or community health boards in the region under chapters 145A, 245, and 256E;

(5) prepare an annual regional education plan that is consistent with and supportive of public health goals identified by community health boards in the region; and

(6) serve as advisory bodies to identify potential applicants for federal Health Professional Shortage Area and federal Medically Underserved Area designation as requested by the commissioner.

Sec. 8. Minnesota Statutes 1996, section 62J.15, subdivision 1, is amended to read:

Subdivision 1. [HEALTH TECHNOLOGY ADVISORY COMMITTEE.] The ~~Minnesota health care commission shall convene~~ legislative commission on health care access may convene or authorize the commissioner of health to convene an advisory committee to conduct evaluations of existing research and technology assessments conducted by other entities of new and existing health care technologies as designated by the legislative commission on health care access, the commissioner, or the advisory committee. ~~The advisory committee may include members of the state commission and other persons appointed by the commission.~~ The advisory committee must include at least one person representing physicians, at least one person representing hospitals, and at least one person representing the health care technology industry. Health care technologies include high-cost drugs, devices, procedures, or processes applied to human health care, such as high-cost transplants and expensive scanners and imagers. The advisory committee is governed by section 15.0575, subdivision 3, except that members do not receive per diem payments.

Sec. 9. Minnesota Statutes 1996, section 62J.152, subdivision 1, is amended to read:

Subdivision 1. [GENERALLY.] The health technology advisory committee established in section 62J.15 shall:

(1) develop criteria and processes for evaluating health care technology assessments made by other entities;

(2) conduct evaluations of specific technologies and their specific use and application;

(3) provide the legislature with scientific evaluations of proposed benefit mandates that utilize health care technologies for a specific use and application;

(4) report the results of the evaluations to the ~~commissioner and the Minnesota health care commission~~ legislative commission on health care access; and

~~(4)~~ (5) carry out other duties relating to health technology assigned by the ~~commission~~ legislature or the legislative commission on health care access.

Sec. 10. Minnesota Statutes 1996, section 62J.152, subdivision 2, is amended to read:

Subd. 2. [~~PRIORITIES FOR DESIGNATING TECHNOLOGIES~~ CRITERIA FOR ~~ASSESSMENT~~ EVALUATION.] The health technology advisory committee shall consider the following criteria in ~~designating~~ assessing or evaluating technologies ~~for evaluation~~:

(1) the level of controversy within the medical or scientific community, including questionable or undetermined efficacy;

(2) the cost implications;

(3) the potential for rapid diffusion;

(4) the impact on a substantial patient population;

(5) the existence of alternative technologies;

(6) the impact on patient safety and health outcome;

(7) the public health importance;

(8) the level of public and professional demand;

(9) the social, ethical, and legal concerns; and

(10) the prevalence of the disease or condition.

The committee may give different weights or attach different importance to each of the criteria, depending on the technology being considered. The committee shall consider any additional criteria approved by the commissioner and the ~~Minnesota health care commission~~ legislative commission on health care access.

Sec. 11. Minnesota Statutes 1996, section 62J.152, subdivision 4, is amended to read:

Subd. 4. [TECHNOLOGY EVALUATION PROCESS.] (a) The health technology advisory committee shall collect and evaluate studies and research findings on the technologies selected for evaluation from as wide of a range of sources as needed, including, but not limited to: federal agencies or other units of government, international organizations conducting health care technology assessments, health carriers, insurers, manufacturers, professional and trade associations, nonprofit organizations, and academic institutions. The health technology advisory committee may use consultants or experts and solicit testimony or other input as needed to evaluate a specific technology.

(b) When the evaluation process on a specific technology has been completed, the health technology advisory committee shall submit a preliminary report to the ~~health care commission~~ legislative commission on health care access and publish a summary of the preliminary report in the State Register with a notice that written comments may be submitted. The preliminary report must include the results of the technology assessment evaluation, studies and research findings considered in conducting the evaluation, and the health technology advisory committee's summary statement about the evaluation. Any interested persons or organizations may submit to the health technology advisory committee written comments regarding the technology evaluation within 30 days from the date the preliminary report was published in the State Register. The health technology advisory committee's final report on its technology evaluation must be submitted to the ~~health care commission~~ commissioner, to the legislature, and to the information clearinghouse. A summary of written comments received by the health technology advisory committee within the 30-day period must be included in the final report. ~~The health care commission shall review the final report and prepare its comments and recommendations. Before completing its final comments and recommendations, the health care commission shall provide adequate public notice that testimony will be accepted by the health care commission. The health care commission shall then forward the final report, its comments and recommendations, and a summary of the public's comments to the commissioner and information clearinghouse.~~

(c) The reports of the health technology advisory committee ~~and the comments and recommendations of the health care commission~~ should not eliminate or bar new technology, and are not rules as defined in the administrative procedure act.

Sec. 12. Minnesota Statutes 1996, section 62J.152, subdivision 5, is amended to read:

Subd. 5. [USE OF TECHNOLOGY EVALUATION.] (a) The final report on the technology evaluation ~~and the commission's comments and recommendations~~ may be used:

(1) by the commissioner in retrospective and prospective review of major expenditures;

(2) by ~~integrated service networks and other~~ group purchasers and by employers, in making coverage, contracting, purchasing, and reimbursement decisions;

(3) by organizations in the development of practice parameters;

(4) by health care providers in making decisions about adding or replacing technology and the appropriate use of technology;

(5) by consumers in making decisions about treatment;

(6) by medical device manufacturers in developing and marketing new technologies; and

(7) as otherwise needed by health care providers, health care plans, consumers, and purchasers.

(b) At the request of the commissioner, ~~the health care commission, in consultation with~~ the health technology advisory committee~~,~~ shall submit specific recommendations relating to technologies that have been evaluated under this section for purposes of retrospective and prospective review of major expenditures and coverage, contracting, purchasing, and reimbursement decisions affecting state programs.

Sec. 13. Minnesota Statutes 1996, section 62J.17, subdivision 6a, is amended to read:

Subd. 6a. [PROSPECTIVE REVIEW AND APPROVAL.] (a) [REQUIREMENT.] No health care provider subject to prospective review under this subdivision shall make a major spending commitment unless:

(1) the provider has filed an application with the commissioner to proceed with the major spending commitment and has provided all supporting documentation and evidence requested by the commissioner; and

(2) the commissioner determines, based upon this documentation and evidence, that the major spending commitment is appropriate under the criteria provided in subdivision 5a in light of the alternatives available to the provider.

(b) [APPLICATION.] A provider subject to prospective review and approval shall submit an application to the commissioner before proceeding with any major spending commitment. The application must address each item listed in subdivision 4a, paragraph (a), and must also include documentation to support the response to each item. The provider may submit information, with supporting documentation, regarding why the major spending commitment should be excepted from prospective review under subdivision 7. The submission may be made either in addition to or instead of the submission of information relating to the items listed in subdivision 4a, paragraph (a).

(c) [REVIEW.] The commissioner shall determine, based upon the information submitted, whether the major spending commitment is appropriate under the criteria provided in subdivision 5a, or whether it should be excepted from prospective review under subdivision 7. In making this determination, the commissioner may also consider relevant information from other sources. At the request of the commissioner, the ~~Minnesota health care commission~~ health technology advisory committee shall convene an expert review panel made up of persons with knowledge and expertise regarding medical equipment, specialized services, health care expenditures, and capital expenditures to review applications and make recommendations to the commissioner. The commissioner shall make a decision on the application within 60 days after an application is received.

(d) [PENALTIES AND REMEDIES.] The commissioner of health has the authority to issue fines, seek injunctions, and pursue other remedies as provided by law.

Sec. 14. Minnesota Statutes 1996, section 62J.22, is amended to read:

62J.22 [PARTICIPATION OF FEDERAL PROGRAMS.]

The commissioner of health shall seek the full participation of federal health care programs under this chapter, including Medicare, medical assistance, veterans administration programs, and other federal programs. The commissioner of human services shall ~~under the direction of the~~

~~health care commission~~ submit waiver requests and take other action necessary to obtain federal approval to allow participation of the medical assistance program. ~~Other state agencies shall provide assistance at the request of the commission.~~ If federal approval is not given for one or more federal programs, data on the amount of health care spending that is collected under section 62J.04 shall be adjusted so that state and regional spending limits take into account the failure of the federal program to participate.

Sec. 15. Minnesota Statutes 1996, section 62J.25, is amended to read:

62J.25 [MANDATORY MEDICARE ASSIGNMENT.]

(a) Effective January 1, 1993, a health care provider ~~authorized to participate in the Medicare program~~ shall not charge to or collect from a Medicare beneficiary who is a Minnesota resident any amount in excess of 115 percent of the Medicare-approved amount for any Medicare-covered service provided.

(b) Effective January 1, 1994, a health care provider ~~authorized to participate in the Medicare program~~ shall not charge to or collect from a Medicare beneficiary who is a Minnesota resident any amount in excess of 110 percent of the Medicare-approved amount for any Medicare-covered service provided.

(c) Effective January 1, 1995, a health care provider ~~authorized to participate in the Medicare program~~ shall not charge to or collect from a Medicare beneficiary who is a Minnesota resident any amount in excess of 105 percent of the Medicare-approved amount for any Medicare-covered service provided.

(d) Effective January 1, 1996, a health care provider ~~authorized to participate in the Medicare program~~ shall not charge to or collect from a Medicare beneficiary who is a Minnesota resident any amount in excess of the Medicare-approved amount for any Medicare-covered service provided.

(e) This section does not apply to ambulance services as defined in section 144.801, subdivision 4, or medical supplies and equipment.

Sec. 16. Minnesota Statutes 1996, section 62J.2914, subdivision 1, is amended to read:

Subdivision 1. [DISCLOSURE.] An application for approval must include, to the extent applicable, disclosure of the following:

(1) a descriptive title;

(2) a table of contents;

(3) exact names of each party to the application and the address of the principal business office of each party;

(4) the name, address, and telephone number of the persons authorized to receive notices and communications with respect to the application;

(5) a verified statement by a responsible officer of each party to the application attesting to the accuracy and completeness of the enclosed information;

(6) background information relating to the proposed arrangement, including:

(i) a description of the proposed arrangement, including a list of any services or products that are the subject of the proposed arrangement;

(ii) an identification of any tangential services or products associated with the services or products that are the subject of the proposed arrangement;

(iii) a description of the geographic territory involved in the proposed arrangement;

(iv) if the geographic territory described in item (iii), is different from the territory in which the applicants have engaged in the type of business at issue over the last five years, a description of how and why the geographic territory differs;

(v) identification of all products or services that a substantial share of consumers would consider substitutes for any service or product that is the subject of the proposed arrangement;

(vi) identification of whether any services or products of the proposed arrangement are currently being offered, capable of being offered, utilized, or capable of being utilized by other providers or purchasers in the geographic territory described in item (iii);

(vii) identification of the steps necessary, under current market and regulatory conditions, for other parties to enter the territory described in item (iii) and compete with the applicant;

(viii) a description of the previous history of dealings between the parties to the application;

(ix) a detailed explanation of the projected effects, including expected volume, change in price, and increased revenue, of the arrangement on each party's current businesses, both generally as well as the aspects of the business directly involved in the proposed arrangement;

(x) the present market share of the parties to the application and of others affected by the proposed arrangement, and projected market shares after implementation of the proposed arrangement;

(xi) a statement of why the projected levels of cost, access, or quality could not be achieved in the existing market without the proposed arrangement; and

(xii) an explanation of how the arrangement relates to any ~~Minnesota health care commission or~~ applicable regional coordinating board plans for delivery of health care; and

(7) a detailed explanation of how the transaction will affect cost, access, and quality. The explanation must address the factors in section 62J.2917, subdivision 2, paragraphs (b) to (d), to the extent applicable.

Sec. 17. Minnesota Statutes 1996, section 62J.2915, is amended to read:

62J.2915 [NOTICE AND COMMENT.]

Subdivision 1. [NOTICE.] The commissioner shall cause the notice described in section 62J.2914, subdivision 2, to be published in the State Register and sent to ~~the Minnesota health care commission,~~ the regional coordinating boards for any regions that include all or part of the territory covered by the proposed arrangement, and any person who has requested to be placed on a list to receive notice of applications. The commissioner may maintain separate notice lists for different regions of the state. The commissioner may also send a copy of the notice to any person together with a request that the person comment as provided under subdivision 2. Copies of the request must be provided to the applicant.

Subd. 2. [COMMENTS.] Within 20 days after the notice is published, any person may mail to the commissioner written comments with respect to the application. Within 30 days after the notice is published, ~~the Minnesota health care commission or~~ any regional coordinating board may mail to the commissioner comments with respect to the application. Persons submitting comments shall provide a copy of the comments to the applicant. The applicant may mail to the commissioner written responses to any comments within ten days after the deadline for mailing such comments. The applicant shall send a copy of the response to the person submitting the comment.

Sec. 18. Minnesota Statutes 1996, section 62J.2916, subdivision 1, is amended to read:

Subdivision 1. [CHOICE OF PROCEDURES.] After the conclusion of the period provided in section 62J.2915, subdivision 2, for the applicant to respond to comments, the commissioner shall select one of the three procedures provided in subdivision 2. In determining which procedure to use, the commissioner shall consider the following criteria:

(1) the size of the proposed arrangement, in terms of number of parties and amount of money involved;

(2) the complexity of the proposed arrangement;

(3) the novelty of the proposed arrangement;

(4) the substance and quantity of the comments received;

(5) any comments received from the ~~Minnesota health care commission or~~ regional coordinating boards; and

(6) the presence or absence of any significant gaps in the factual record.

If the applicant demands a contested case hearing no later than the conclusion of the period provided in section 62J.2915, subdivision 2, for the applicant to respond to comments, the commissioner shall not select a procedure. Instead, the applicant shall be given a contested case proceeding as a matter of right.

Sec. 19. Minnesota Statutes 1996, section 62J.2917, subdivision 2, is amended to read:

Subd. 2. [FACTORS.] (a) [GENERALLY APPLICABLE FACTORS.] In making a determination about cost, access, and quality, the commissioner may consider the following factors, to the extent relevant:

(1) whether the proposal is compatible with the ~~cost containment plan or other plan of the Minnesota health care commission or the~~ applicable regional plans of the regional coordinating boards;

(2) market structure:

(i) actual and potential sellers and buyers, or providers and purchasers;

(ii) actual and potential consumers;

(iii) geographic market area; and

(iv) entry conditions;

(3) current market conditions;

(4) the historical behavior of the market;

(5) performance of other, similar arrangements;

(6) whether the proposal unnecessarily restrains competition or restrains competition in ways not reasonably related to the purposes of this chapter; and

(7) the financial condition of the applicant.

(b) [COST.] The commissioner's analysis of cost must focus on the individual consumer of health care. Cost savings to be realized by providers, health carriers, group purchasers, or other participants in the health care system are relevant only to the extent that the savings are likely to be passed on to the consumer. However, where an application is submitted by providers or purchasers who are paid primarily by third party payers unaffiliated with the applicant, it is sufficient for the applicant to show that cost savings are likely to be passed on to the unaffiliated third party payers; the applicants do not have the burden of proving that third party payers with whom the applicants are not affiliated will pass on cost savings to individuals receiving coverage through the third party payers. In making determinations as to costs, the commissioner may consider:

(1) the cost savings likely to result to the applicant;

(2) the extent to which the cost savings are likely to be passed on to the consumer and in what form;

(3) the extent to which the proposed arrangement is likely to result in cost shifting by the applicant onto other payers or purchasers of other products or services;

(4) the extent to which the cost shifting by the applicant is likely to be followed by other persons in the market;

(5) the current and anticipated supply and demand for any products or services at issue;

(6) the representations and guarantees of the applicant and their enforceability;

(7) likely effectiveness of regulation by the commissioner;

(8) inferences to be drawn from market structure;

(9) the cost of regulation, both for the state and for the applicant; and

(10) any other factors tending to show that the proposed arrangement is or is not likely to reduce cost.

(c) [ACCESS.] In making determinations as to access, the commissioner may consider:

(1) the extent to which the utilization of needed health care services or products by the intended targeted population is likely to increase or decrease. When a proposed arrangement is likely to increase access in one geographic area, by lowering prices or otherwise expanding supply, but limits access in another geographic area by removing service capabilities from that second area, the commissioner shall articulate the criteria employed to balance these effects;

(2) the extent to which the proposed arrangement is likely to make available a new and needed service or product to a certain geographic area; and

(3) the extent to which the proposed arrangement is likely to otherwise make health care services or products more financially or geographically available to persons who need them.

If the commissioner determines that the proposed arrangement is likely to increase access and bases that determination on a projected increase in utilization, the commissioner shall also determine and make a specific finding that the increased utilization does not reflect overutilization.

(d) [QUALITY.] In making determinations as to quality, the commissioner may consider the extent to which the proposed arrangement is likely to:

(1) decrease morbidity and mortality;

(2) result in faster convalescence;

(3) result in fewer hospital days;

(4) permit providers to attain needed experience or frequency of treatment, likely to lead to better outcomes;

(5) increase patient satisfaction; and

(6) have any other features likely to improve or reduce the quality of health care.

Sec. 20. Minnesota Statutes 1996, section 62J.2921, subdivision 2, is amended to read:

Subd. 2. [NOTICE.] The commissioner shall begin a proceeding to revoke approval by providing written notice to the applicant describing in detail the basis for the proposed revocation. Notice of the proceeding must be published in the State Register and submitted to ~~the Minnesota health care commission and~~ the applicable regional coordinating boards. The notice must invite the submission of comments to the commissioner.

Sec. 21. Minnesota Statutes 1996, section 62J.451, subdivision 6b, is amended to read:

Subd. 6b. [CONSUMER SURVEYS.] (a) The health data institute shall develop and implement a mechanism for collecting comparative data on consumer perceptions of the health care system, including consumer satisfaction, through adoption of a standard consumer survey. This survey shall include enrollees in community integrated service networks, integrated service networks, health maintenance organizations, preferred provider organizations, indemnity insurance plans, public programs, and other health plan companies. The health data institute~~, in consultation with the health care commission,~~ shall determine a mechanism for the inclusion of the uninsured. This consumer survey may be conducted every two years. A focused survey may be conducted on the off years. Health plan companies and group purchasers shall provide to the health data institute roster data as defined in subdivision 2, including the names, addresses, and telephone numbers of enrollees and former enrollees and other data necessary for the completion of this survey. This roster data provided by the health plan companies and group purchasers is classified as provided under section 62J.452. The health data institute may analyze and prepare findings from the raw, unaggregated data, and the findings from this survey may be included in the health plan company performance reports specified in subdivision 6a, and in other reports developed and disseminated by the health data institute and the commissioner. The raw, unaggregated data is classified as provided under section 62J.452, and may be made available by the health data institute to the extent permitted under section 62J.452. The health data institute shall provide raw, unaggregated data to the commissioner. The survey may include information on the following subjects:

(1) enrollees' overall satisfaction with their health care plan;

(2) consumers' perception of access to emergency, urgent, routine, and preventive care, including locations, hours, waiting times, and access to care when needed;

(3) premiums and costs;

(4) technical competence of providers;

(5) communication, courtesy, respect, reassurance, and support;

(6) choice and continuity of providers;

(7) continuity of care;

(8) outcomes of care;

(9) services offered by the plan, including range of services, coverage for preventive and routine services, and coverage for illness and hospitalization;

(10) availability of information; and

(11) paperwork.

(b) The health data institute shall appoint a consumer advisory group which shall consist of 13 individuals, representing enrollees from public and private health plan companies and programs and two uninsured consumers, to advise the health data institute on issues of concern to consumers. The advisory group must have at least one member from each regional coordinating board region of the state. The advisory group expires June 30, 1996.

Sec. 22. Minnesota Statutes 1996, section 62M.02, subdivision 21, is amended to read:

Subd. 21. [UTILIZATION REVIEW ORGANIZATION.] "Utilization review organization" means an entity including but not limited to an insurance company licensed under chapter 60A to offer, sell, or issue a policy of accident and sickness insurance as defined in section 62A.01; a health service plan licensed under chapter 62C; a health maintenance organization licensed under chapter 62D; a community integrated service network ~~or an integrated service network~~ licensed under chapter 62N; a fraternal benefit society operating under chapter 64B; a joint self-insurance employee health plan operating under chapter 62H; a multiple employer welfare arrangement, as

defined in section 3 of the Employee Retirement Income Security Act of 1974 (ERISA), United States Code, title 29, section 1103, as amended; a third party administrator licensed under section 60A.23, subdivision 8, which conducts utilization review and determines certification of an admission, extension of stay, or other health care services for a Minnesota resident; or any entity performing utilization review that is affiliated with, under contract with, or conducting utilization review on behalf of, a business entity in this state.

Sec. 23. Minnesota Statutes 1996, section 62N.01, subdivision 1, is amended to read:

Subdivision 1. [CITATION.] This chapter may be cited as the "Minnesota community integrated service network act."

Sec. 24. Minnesota Statutes 1996, section 62N.22, is amended to read:

62N.22 [DISCLOSURE OF COMMISSIONS.]

Before selling any coverage or enrollment in a community integrated service network ~~or an integrated service network~~, a person selling the coverage or enrollment shall disclose in writing to the prospective purchaser the amount of any commission or other compensation the person will receive as a direct result of the sale. The disclosure may be expressed in dollars or as a percentage of the premium. The amount disclosed need not include any anticipated renewal commissions.

Sec. 25. Minnesota Statutes 1996, section 62N.23, is amended to read:

62N.23 [TECHNICAL ASSISTANCE; LOANS.]

(a) The commissioner shall provide technical assistance to parties interested in establishing or operating a community integrated service network ~~or an integrated service network~~. This shall be known as the community integrated service network technical assistance program ~~(ISNTAP)~~ (CISNTAP).

The technical assistance program shall offer seminars on the establishment and operation of community integrated service networks ~~or integrated service networks~~ in all regions of Minnesota. The commissioner shall advertise these seminars in local and regional newspapers, and attendance at these seminars shall be free.

The commissioner shall write a guide to establishing and operating a community integrated service network ~~or an integrated service network~~. The guide must provide basic instructions for parties wishing to establish a community integrated service network ~~or an integrated service network~~. The guide must be provided free of charge to interested parties. The commissioner shall update this guide when appropriate.

The commissioner shall establish a toll-free telephone line that interested parties may call to obtain assistance in establishing or operating a community integrated service network ~~or an integrated service network~~.

(b) The commissioner shall grant loans for organizational and start-up expenses to entities forming community integrated service networks ~~or integrated service networks~~, or to networks less than one year old, to the extent of any appropriation for that purpose. The commissioner shall allocate the available funds among applicants based upon the following criteria, as evaluated by the commissioner within the commissioner's discretion:

(1) the applicant's need for the loan;

(2) the likelihood that the loan will foster the formation or growth of a network; and

(3) the likelihood of repayment.

The commissioner shall determine any necessary application deadlines and forms and is exempt from rulemaking in doing so.

Sec. 26. Minnesota Statutes 1996, section 62N.25, subdivision 5, is amended to read:

Subd. 5. [BENEFITS.] Community integrated service networks must offer the health maintenance organization benefit set, as defined in chapter 62D, and other laws applicable to entities regulated under chapter 62D~~, except that the community integrated service network may impose a deductible, not to exceed $1,000 per person per year, provided that out-of-pocket expenses on covered services do not exceed $3,000 per person or $5,000 per family per year. The deductible must not apply to preventive health services as described in Minnesota Rules, part 4685.0801, subpart 8~~. Community networks and chemical dependency facilities under contract with a community network shall use the assessment criteria in Minnesota Rules, parts 9530.6600 to 9530.6660, when assessing enrollees for chemical dependency treatment.

Sec. 27. Minnesota Statutes 1996, section 62N.26, is amended to read:

62N.26 [SHARED SERVICES COOPERATIVE.]

The commissioner of health shall establish, or assist in establishing, a shared services cooperative organized under chapter 308A to make available administrative and legal services, technical assistance, provider contracting and billing services, and other services to those community integrated service networks ~~and integrated service networks~~ that choose to participate in the cooperative. The commissioner shall provide, to the extent funds are appropriated, start-up loans sufficient to maintain the shared services cooperative until its operations can be maintained by fees and contributions. The cooperative must not be staffed, administered, or supervised by the commissioner of health. The cooperative shall make use of existing resources that are already available in the community, to the extent possible.

Sec. 28. Minnesota Statutes 1996, section 62N.40, is amended to read:

62N.40 [CHEMICAL DEPENDENCY SERVICES.]

Each community integrated service network ~~and integrated service network~~ regulated under this chapter must ensure that chemically dependent individuals have access to cost-effective treatment options that address the specific needs of individuals. These include, but are not limited to, the need for: treatment that takes into account severity of illness and comorbidities; provision of a continuum of care, including treatment and rehabilitation programs licensed under Minnesota Rules, parts 9530.4100 to 9530.4410 and 9530.5000 to 9530.6500; the safety of the individual's domestic and community environment; gender appropriate and culturally appropriate programs; and access to appropriate social services.

Sec. 29. Minnesota Statutes 1996, section 62Q.01, subdivision 3, is amended to read:

Subd. 3. [HEALTH PLAN.] "Health plan" means a health plan as defined in section 62A.011; a policy, contract, or certificate issued by a community integrated service network~~; or an integrated service network~~.

Sec. 30. Minnesota Statutes 1996, section 62Q.01, subdivision 4, is amended to read:

Subd. 4. [HEALTH PLAN COMPANY.] "Health plan company" means:

(1) a health carrier as defined under section 62A.011, subdivision 2; or

(2) ~~an integrated service network as defined under section 62N.02, subdivision 8; or~~

~~(~~3~~)~~ a community integrated service network as defined under section 62N.02, subdivision 4a.

Sec. 31. Minnesota Statutes 1996, section 62Q.01, subdivision 5, is amended to read:

Subd. 5. [MANAGED CARE ORGANIZATION.] "Managed care organization" means: (1) a health maintenance organization operating under chapter 62D; (2) a community integrated service network as defined under section 62N.02, subdivision 4a; or (3) ~~an integrated service network as defined under section 62N.02, subdivision 8; or (4)~~ an insurance company licensed under chapter 60A, nonprofit health service plan corporation operating under chapter 62C, fraternal benefit society operating under chapter 64B, or any other health plan company, to the extent that it covers

health care services delivered to Minnesota residents through a preferred provider organization or a network of selected providers.

Sec. 32. Minnesota Statutes 1996, section 62Q.03, subdivision 5a, is amended to read:

Subd. 5a. [PUBLIC PROGRAMS.] (a) A separate risk adjustment system must be developed for state-run public programs, including medical assistance, general assistance medical care, and MinnesotaCare. The system must be developed in accordance with the general risk adjustment methodologies described in this section, must include factors in addition to age and sex adjustment, and may include additional demographic factors, different targeted conditions, and/or different payment amounts for conditions. The risk adjustment system for public programs must attempt to reflect the special needs related to poverty, cultural, or language barriers and other needs of the public program population.

(b) The commissioners of health and human services shall jointly convene a public programs risk adjustment work group responsible for advising the commissioners in the design of the public programs risk adjustment system. The public programs risk adjustment work group is governed by section 15.059 for purposes of membership terms and removal of members and shall terminate on June 30, 1999. The work group shall meet at the discretion of the commissioners of health and human services. The commissioner of health shall work with the risk adjustment association to ensure coordination between the risk adjustment systems for the public and private sectors. The commissioner of human services shall seek any needed federal approvals necessary for the inclusion of the medical assistance program in the public programs risk adjustment system.

(c) The public programs risk adjustment work group must be representative of the persons served by publicly paid health programs and providers and health plans that meet their needs. To the greatest extent possible, the appointing authorities shall attempt to select representatives that have historically served a significant number of persons in publicly paid health programs or the uninsured. Membership of the work group shall be as follows:

(1) one provider member appointed by the Minnesota Medical Association;

(2) two provider members appointed by the Minnesota Hospital Association, at least one of whom must represent a major disproportionate share hospital;

(3) five members appointed by the Minnesota Council of HMOs, one of whom must represent an HMO with fewer than 50,000 enrollees located outside the metropolitan area and one of whom must represent an HMO with at least 50 percent of total membership enrolled through a public program;

(4) two representatives of counties appointed by the Association of Minnesota Counties;

(5) three representatives of organizations representing the interests of families, children, childless adults, and elderly persons served by the various publicly paid health programs appointed by the governor;

(6) two representatives of persons with mental health, developmental or physical disabilities, chemical dependency, or chronic illness appointed by the governor; and

(7) three public members appointed by the governor, at least one of whom must represent a community health board. The risk adjustment association may appoint a representative, if a representative is not otherwise appointed by an appointing authority.

(d) The commissioners of health and human services, with the advice of the public programs risk adjustment work group, shall develop a work plan and time frame and shall coordinate their efforts with the private sector risk adjustment association's activities and other state initiatives related to public program managed care reimbursement. ~~The commissioners of health and human services shall report to the health care commission and to the appropriate legislative committees on January 15, 1996, and on January 15, 1997, on any policy or legislative changes necessary to implement the public program risk adjustment system.~~

Sec. 33. Minnesota Statutes 1996, section 62Q.106, is amended to read:

62Q.106 [DISPUTE RESOLUTION BY COMMISSIONER.]

A complainant may at any time submit a complaint to the appropriate commissioner to investigate. After investigating a complaint, or reviewing a company's decision, the appropriate commissioner may order a remedy as authorized under section ~~62N.04,~~ 62Q.30~~,~~ or chapter 45, 60A, or 62D.

Sec. 34. Minnesota Statutes 1996, section 62Q.19, subdivision 1, is amended to read:

Subdivision 1. [DESIGNATION.] The commissioner shall designate essential community providers. The criteria for essential community provider designation shall be the following:

(1) a demonstrated ability to integrate applicable supportive and stabilizing services with medical care for uninsured persons and high-risk and special needs populations as defined in section 62Q.07, subdivision 2, paragraph (e), underserved, and other special needs populations; and

(2) a commitment to serve low-income and underserved populations by meeting the following requirements:

(i) has nonprofit status in accordance with chapter 317A;

(ii) has tax exempt status in accordance with the Internal Revenue Service Code, section 501(c)(3);

(iii) charges for services on a sliding fee schedule based on current poverty income guidelines; and

(iv) does not restrict access or services because of a client's financial limitation;

(3) status as a local government unit as defined in section 62D.02, subdivision 11, an Indian tribal government, an Indian health service unit, or community health board as defined in chapter 145A; ~~or~~

(4) a former state hospital that specializes in the treatment of cerebral palsy, spina bifida, epilepsy, closed head injuries, specialized orthopedic problems, and other disabling conditions; or

(5) a rural hospital that has qualified for a sole community hospital financial assistance grant in the past three years under section 144.1484, subdivision 1. For these rural hospitals, the essential community provider designation applies to all health services provided, including both inpatient and outpatient services.

Prior to designation, the commissioner shall publish the names of all applicants in the State Register. The public shall have 30 days from the date of publication to submit written comments to the commissioner on the application. No designation shall be made by the commissioner until the 30-day period has expired.

The commissioner may designate an eligible provider as an essential community provider for all the services offered by that provider or for specific services designated by the commissioner.

For the purpose of this subdivision, supportive and stabilizing services include at a minimum, transportation, child care, cultural, and linguistic services where appropriate.

Sec. 35. Minnesota Statutes 1996, section 62Q.33, subdivision 2, is amended to read:

Subd. 2. [REPORT ON SYSTEM DEVELOPMENT.] The commissioner of health, in consultation with the state community health services advisory committee and the commissioner of human services, and representatives of local health departments, county government, a municipal government acting as a local board of health, ~~the Minnesota health care commission,~~ area Indian health services, health care providers, and citizens concerned about public health, shall

coordinate the process for defining implementation and financing responsibilities of the local government core public health functions. The commissioner shall submit recommendations and an initial and final report on local government core public health functions according to the timeline established in subdivision 5.

Sec. 36. Minnesota Statutes 1996, section 62Q.45, subdivision 2, is amended to read:

Subd. 2. [DEFINITION.] For purposes of this section, "managed care organization" means: (1) a health maintenance organization operating under chapter 62D; (2) a community integrated service network as defined under section 62N.02, subdivision 4a; or (3) ~~an integrated service network as defined under section 62N.02, subdivision 8; or (4)~~ an insurance company licensed under chapter 60A, nonprofit health service plan corporation operating under chapter 62C, fraternal benefit society operating under chapter 64B, or any other health plan company, to the extent that it covers health care services delivered to Minnesota residents through a preferred provider organization or a network of selected providers.

Sec. 37. Minnesota Statutes 1996, section 136A.1355, is amended to read:

136A.1355 [RURAL PHYSICIANS.]

Subdivision 1. [CREATION OF ACCOUNT.] A rural physician education account is established in the health care access fund. The higher education services office shall use money from the account to establish a loan forgiveness program for medical ~~students~~ residents agreeing to practice in designated rural areas, as defined by the commissioner.

Subd. 2. [ELIGIBILITY.] To be eligible to participate in the program, a prospective physician must submit a letter of interest to the higher education services office. A ~~student or~~ resident who is accepted must sign a contract to agree to serve at least three of the first five years following residency in a designated rural area.

Subd. 3. [LOAN FORGIVENESS.] For fiscal years beginning on and after July 1, 1995, the higher education services office may accept up to ~~four applicants who are fourth year medical students, three~~ 12 applicants who are medical residents, four applicants who are pediatric residents, and ~~four~~ six applicants who are family practice residents, and ~~one applicant who is an~~ two applicants who are internal medicine ~~resident~~ residents, per fiscal year for participation in the loan forgiveness program. If the higher education services office does not receive enough applicants per fiscal year to fill the number of residents in the specific areas of practice, the resident applicants may be from any area of practice. The ~~eight~~ 12 resident applicants may be in any year of training; however, priority must be given to the following categories of residents in descending order: third year residents, second year residents, and first year residents. Applicants are responsible for securing their own loans. Applicants chosen to participate in the loan forgiveness program may designate for each year of medical school, up to a maximum of four years, an agreed amount, not to exceed $10,000, as a qualified loan. For each year that a participant serves as a physician in a designated rural area, up to a maximum of four years, the higher education services office shall annually pay an amount equal to one year of qualified loans. Participants who move their practice from one designated rural area to another remain eligible for loan repayment. In addition, if a resident participating in the loan forgiveness program serves at least four weeks during a year of residency substituting for a rural physician to temporarily relieve the rural physician of rural practice commitments to enable the rural physician to take a vacation, engage in activities outside the practice area, or otherwise be relieved of rural practice commitments, the participating resident may designate up to an additional $2,000, above the $10,000 maximum, for each year of residency during which the resident substitutes for a rural physician for four or more weeks.

Subd. 4. [PENALTY FOR NONFULFILLMENT.] If a participant does not fulfill the required three-year minimum commitment of service in a designated rural area, the higher education services office shall collect from the participant the amount paid by the commissioner under the loan forgiveness program. The higher education services office shall deposit the money collected in the rural physician education account established in subdivision 1. The commissioner shall allow waivers of all or part of the money owed the commissioner if emergency circumstances prevented fulfillment of the three-year service commitment.

Subd. 5. [LOAN FORGIVENESS; UNDERSERVED URBAN COMMUNITIES.] For fiscal years beginning on and after July 1, 1995, the higher education services office may accept up to four applicants who are ~~either fourth year medical students, or~~ residents in family practice, pediatrics, or internal medicine per fiscal year for participation in the urban primary care physician loan forgiveness program. The resident applicants may be in any year of residency training; however, priority will be given to the following categories of residents in descending order: third year residents, second year residents, and first year residents. If the higher education services office does not receive enough qualified applicants per fiscal year to fill the number of slots for urban underserved communities, the slots may be allocated to ~~students or~~ residents who have applied for the rural physician loan forgiveness program in subdivision 1. Applicants are responsible for securing their own loans. For purposes of this provision, "qualifying educational loans" are government and commercial loans for actual costs paid for tuition, reasonable education expenses, and reasonable living expenses related to the graduate or undergraduate education of a health care professional. Applicants chosen to participate in the loan forgiveness program may designate for each year of medical school, up to a maximum of four years, an agreed amount, not to exceed $10,000, as a qualified loan. For each year that a participant serves as a physician in a designated underserved urban area, up to a maximum of four years, the higher education services office shall annually pay an amount equal to one year of qualified loans. Participants who move their practice from one designated underserved urban community to another remain eligible for loan repayment.

Sec. 38. Minnesota Statutes 1996, section 144.147, subdivision 1, is amended to read:

Subdivision 1. [DEFINITION.] "Eligible rural hospital" means any nonfederal, general acute care hospital that:

(1) is either located in a rural area, as defined in the federal Medicare regulations, Code of Federal Regulations, title 42, section 405.1041, or located in a community with a population of less than 5,000, according to United States Census Bureau statistics, outside the seven-county metropolitan area;

(2) has ~~100~~ 50 or fewer beds; and

(3) is not for profit~~; and~~

~~(4) has not been awarded a grant under the federal rural health transition grant program, which would be received concurrently with any portion of the grant period for this program~~.

Sec. 39. Minnesota Statutes 1996, section 144.147, subdivision 2, is amended to read:

Subd. 2. [GRANTS AUTHORIZED.] The commissioner shall establish a program of grants to assist eligible rural hospitals. The commissioner shall award grants to hospitals and communities for the purposes set forth in paragraphs (a) and (b).

(a) Grants may be used by hospitals and their communities to develop strategic plans for preserving or enhancing access to health services. At a minimum, a strategic plan must consist of:

(1) a needs assessment to determine what health services are needed and desired by the community. The assessment must include interviews with or surveys of area health professionals, local community leaders, and public hearings;

(2) an assessment of the feasibility of providing needed health services that identifies priorities and timeliness for potential changes; and

(3) an implementation plan.

The strategic plan must be developed by a committee that includes representatives from the hospital, local public health agencies, other health providers, and consumers from the community.

(b) The grants may also be used by eligible rural hospitals that have developed strategic plans to implement transition projects to modify the type and extent of services provided, in order to

reflect the needs of that plan. Grants may be used by hospitals under this paragraph to develop hospital-based physician practices that integrate hospital and existing medical practice facilities that agree to transfer their practices, equipment, staffing, and administration to the hospital. The grants may also be used by the hospital to establish a health provider cooperative, a telemedicine system, or a rural health care system. Not more than one-third of any grant shall be used to offset losses incurred by physicians agreeing to transfer their practices to hospitals.

Sec. 40. Minnesota Statutes 1996, section 144.147, subdivision 3, is amended to read:

Subd. 3. [CONSIDERATION OF GRANTS.] In determining which hospitals will receive grants under this section, the commissioner shall take into account:

(1) improving community access to hospital or health services;

(2) changes in service populations;

(3) demand for ambulatory and emergency services;

(4) the extent that the health needs of the community are not currently being met by other providers in the service area;

(5) the need to recruit and retain health professionals;

(6) the ~~involvement and~~ extent of community support ~~of the community and local health care providers~~; ~~and~~

(7) the coordination with local community organizations, such as community development and public health agencies; and

(8) the financial condition of the hospital.

Sec. 41. Minnesota Statutes 1996, section 144.147, subdivision 4, is amended to read:

Subd. 4. [ALLOCATION OF GRANTS.] (a) Eligible hospitals must apply to the commissioner no later than September 1 of each fiscal year for grants awarded for that fiscal year. A grant may be awarded upon signing of a grant contract.

(b) The commissioner must make a final decision on the funding of each application within 60 days of the deadline for receiving applications.

(c) Each relevant community health board has 30 days in which to review and comment to the commissioner on grant applications from hospitals in their community health service area.

(d) In determining which hospitals will receive grants under this section, the commissioner shall consider the following factors:

(1) Description of the problem, description of the project, and the likelihood of successful outcome of the project. The applicant must explain clearly the nature of the health services problems in their service area, how the grant funds will be used, what will be accomplished, and the results expected. The applicant should describe achievable objectives, a timetable, and roles and capabilities of responsible individuals and organizations.

(2) The extent of community support for the hospital and this proposed project. The applicant should demonstrate support for the hospital and for the proposed project from other local health service providers and from local community and government leaders. Evidence of such support may include past commitments of financial support from local individuals, organizations, or government entities; and commitment of financial support, in-kind services or cash, for this project.

(3) The comments, if any, resulting from a review of the application by the community health board in whose community health service area the hospital is located.

(e) In evaluating applications, the commissioner shall score each application on a 100 point scale, assigning the maximum of 70 points for an applicant's understanding of the problem, description of the project, and likelihood of successful outcome of the project; and a maximum of 30 points for the extent of community support for the hospital and this project. The commissioner may also take into account other relevant factors.

(f) A grant to a hospital, including hospitals that submit applications as consortia, may not exceed ~~$37,500~~ $50,000 a year and may not exceed a term of two years. Prior to the receipt of any grant, the hospital must certify to the commissioner that at least one-half of the amount, which may include in-kind services, is available for the same purposes from nonstate sources. A hospital receiving a grant under this section may use the grant for any expenses incurred in the development of strategic plans or the implementation of transition projects with respect to which the grant is made. Project grants may not be used to retire debt incurred with respect to any capital expenditure made prior to the date on which the project is initiated.

(g) The commissioner may adopt rules to implement this section.

Sec. 42. [144.148] [RURAL HOSPITAL CAPITAL IMPROVEMENT GRANT AND LOAN PROGRAM.]

Subdivision 1. [DEFINITION.] (a) For purposes of this section, the following definitions apply.

(b) "Eligible rural hospital" means a hospital that:

(1) is located outside the seven-county metropolitan area;

(2) has 50 or fewer licensed hospital beds with a net hospital operating margin not greater than two percent in the two fiscal years prior to application; and

(3) is 25 miles or more from another hospital.

(c) "Eligible project" means a modernization project to update, remodel, or replace aging hospital facilities and equipment necessary to maintain the operations of a hospital.

Subd. 2. [PROGRAM.] The commissioner of health shall award rural hospital capital improvement grants or loans to eligible rural hospitals. A grant or loan shall not exceed $1,500,000 per hospital. Grants or loans shall be interest free. An eligible rural hospital may apply the funds retroactively to capital improvements made during the two fiscal years preceding the fiscal year in which the grant or loan was received, provided the hospital met the eligibility criteria during that time period.

Subd. 3. [APPLICATIONS.] Eligible hospitals seeking a grant or loan shall apply to the commissioner. Applications must include a description of the problem that the proposed project will address, a description of the project including construction and remodeling drawings or specifications, sources of funds for the project, uses of funds for the project, the results expected, and a plan to maintain or operate any facility or equipment included in the project. The applicant must describe achievable objectives, a timetable, and roles and capabilities of responsible individuals and organization. Applicants must submit to the commissioner evidence that competitive bidding was used to select contractors for the project.

Subd. 4. [CONSIDERATION OF APPLICATIONS.] The commissioner shall review each application to determine whether or not the hospital's application is complete and whether the hospital and the project are eligible for a grant or loan. In evaluating applications, the commissioner shall score each application on a 100 point scale, assigning: a maximum of 40 points for an applicant's clarity and thoroughness in describing the problem and the project; a maximum of 40 points for the extent to which the applicant has demonstrated that it has made adequate provisions to assure proper and efficient operation of the facility once the project is completed; and a maximum of 20 points for the extent to which the proposed project is consistent with the hospital's capital improvement plan or strategic plan. The commissioner may also take into account other relevant factors. During application review, the commissioner may request additional information about a proposed project, including information on project cost. Failure to provide the information requested disqualifies a loan applicant.

Subd. 5. [PROGRAM OVERSIGHT.] The commissioner of health shall review audited financial information of the hospital to assess eligibility. The commissioner shall determine the amount of a grant or loan to be given to an eligible rural hospital based on the relative score of each eligible hospital's application and the funds available to the commissioner. The grant or loan shall be used to update, remodel, or replace aging facilities and equipment necessary to maintain the operations of the hospital.

Subd. 6. [LOAN PAYMENT.] Loans shall be repaid as provided in this subdivision over a period of 15 years. In those years when an eligible rural hospital experiences a positive net operating margin in excess of two percent, the eligible rural hospital shall pay to the state one-half of the excess above two percent, up to the yearly payment amount based upon a loan period of 15 years. If the amount paid back in any year is less than the yearly payment amount, or if no payment is required because the eligible rural hospital does not experience a positive net operating margin in excess of two percent, the amount unpaid for that year shall be forgiven by the state without any financial penalty. As a condition of receiving an award through this program, eligible hospitals must agree to any and all collection activities the commissioner finds necessary to collect loan payments in those years a payment is due.

Subd. 7. [ACCOUNTING TREATMENT.] The commissioner of finance shall record as grants in the state accounting system funds obligated by this section. Loan payments received under this section shall be deposited in the health care access fund.

Subd. 8. [EXPIRATION.] This section expires June 30, 1999.

Sec. 43. Minnesota Statutes 1996, section 144.1484, subdivision 1, is amended to read:

Subdivision 1. [SOLE COMMUNITY HOSPITAL FINANCIAL ASSISTANCE GRANTS.] The commissioner of health shall award financial assistance grants to rural hospitals in isolated areas of the state. To qualify for a grant, a hospital must: (1) be eligible to be classified as a sole community hospital according to the criteria in Code of Federal Regulations, title 42, section 412.92 or be located in a community with a population of less than 5,000 and located more than 25 miles from a like hospital currently providing acute short-term services; (2) have experienced net operating income losses in ~~the~~ two of the previous three most recent consecutive hospital fiscal years for which audited financial information is available; (3) consist of 40 or fewer licensed beds; and (4) demonstrate to the commissioner that it has obtained local support for the hospital and that any state support awarded under this program will not be used to supplant local support for the hospital. The commissioner shall review audited financial statements of the hospital to assess the extent of local support. Evidence of local support may include bonds issued by a local government entity such as a city, county, or hospital district for the purpose of financing hospital projects; and loans, grants, or donations to the hospital from local government entities, private organizations, or individuals. The commissioner shall determine the amount of the award to be given to each eligible hospital based on the hospital's operating loss margin (total operating losses as a percentage of total operating revenue) for ~~the~~ two of the previous three most recent consecutive fiscal years for which audited financial information is available and the total amount of funding available. For purposes of calculating a hospital's operating loss margin, total operating revenue does not include grant funding provided under this subdivision. One hundred percent of the available funds will be disbursed proportionately based on the operating loss margins of the eligible hospitals.

Sec. 44. Minnesota Statutes 1996, section 256.9363, subdivision 1, is amended to read:

Subdivision 1. [SELECTION OF VENDORS.] In order to contain costs, the commissioner of human services shall select vendors of medical care who can provide the most economical care consistent with high medical standards and shall, where possible, contract with organizations on a prepaid capitation basis to provide these services. The commissioner shall consider proposals by counties and vendors for managed care plans which may include: prepaid capitation programs, competitive bidding programs, or other vendor payment mechanisms designed to provide services in an economical manner or to control utilization, with safeguards to ensure that necessary services are provided. ~~Managed care plans may include integrated service networks as defined in section 62N.02.~~

Sec. 45. Minnesota Statutes 1996, section 256.9657, subdivision 3, is amended to read:

Subd. 3. [HEALTH MAINTENANCE ORGANIZATION; COMMUNITY INTEGRATED SERVICE NETWORK SURCHARGE.] (a) Effective October 1, 1992, each health maintenance organization with a certificate of authority issued by the commissioner of health under chapter 62D and each ~~integrated service network and~~ community integrated service network licensed by the commissioner under chapter 62N shall pay to the commissioner of human services a surcharge equal to six-tenths of one percent of the total premium revenues of the health maintenance organization~~, integrated service network,~~ or community integrated service network as reported to the commissioner of health according to the schedule in subdivision 4.

(b) For purposes of this subdivision, total premium revenue means:

(1) premium revenue recognized on a prepaid basis from individuals and groups for provision of a specified range of health services over a defined period of time which is normally one month, excluding premiums paid to a health maintenance organization~~, integrated service network,~~ or community integrated service network from the Federal Employees Health Benefit Program;

(2) premiums from Medicare wrap-around subscribers for health benefits which supplement Medicare coverage;

(3) Medicare revenue, as a result of an arrangement between a health maintenance organization~~, an integrated service network,~~ or a community integrated service network and the health care financing administration of the federal Department of Health and Human Services, for services to a Medicare beneficiary; and

(4) medical assistance revenue, as a result of an arrangement between a health maintenance organization~~, integrated service network,~~ or community integrated service network and a Medicaid state agency, for services to a medical assistance beneficiary.

If advance payments are made under clause (1) or (2) to the health maintenance organization~~, integrated service network,~~ or community integrated service network for more than one reporting period, the portion of the payment that has not yet been earned must be treated as a liability.

(c) When a health maintenance organization or ~~an integrated service network or~~ community integrated service network merges or consolidates with or is acquired by another health maintenance organization~~, integrated service network,~~ or community integrated service network, the surviving corporation or the new corporation shall be responsible for the annual surcharge originally imposed on each of the entities or corporations subject to the merger, consolidation, or acquisition, regardless of whether one of the entities or corporations does not retain a certificate of authority under chapter 62D or a license under chapter 62N.

(d) Effective July 1 of each year, the surviving corporation's or the new corporation's surcharge shall be based on the revenues earned in the second previous calendar year by all of the entities or corporations subject to the merger, consolidation, or acquisition regardless of whether one of the entities or corporations does not retain a certificate of authority under chapter 62D or a license under chapter 62N until the total premium revenues of the surviving corporation include the total premium revenues of all the merged entities as reported to the commissioner of health.

(e) When a health maintenance organization~~, integrated service network,~~ or community integrated service network, which is subject to liability for the surcharge under this chapter, transfers, assigns, sells, leases, or disposes of all or substantially all of its property or assets, liability for the surcharge imposed by this chapter is imposed on the transferee, assignee, or buyer of the health maintenance organization~~, integrated service network,~~ or community integrated service network.

(f) In the event a health maintenance organization~~, integrated service network,~~ or community integrated service network converts its licensure to a different type of entity subject to liability for the surcharge under this chapter, but survives in the same or substantially similar form, the surviving entity remains liable for the surcharge regardless of whether one of the entities or corporations does not retain a certificate of authority under chapter 62D or a license under chapter 62N.

(g) The surcharge assessed to a health maintenance organization~~, integrated service network,~~ or community integrated service network ends when the entity ceases providing services for premiums and the cessation is not connected with a merger, consolidation, acquisition, or conversion.

Sec. 46. [MEIP STUDY.]

The commissioner of employee relations shall study the current Minnesota employees insurance program (MEIP) and report to the legislature by January 15, 1998, on recommendations on whether this program provides greater accessibility to small employers for purchasing health insurance and, if not, whether the program could be modified in terms of underwriting, marketing, and advertising to create a program that would provide a cost incentive for small employers to purchase health coverage through this program.

Sec. 47. [REVISOR INSTRUCTIONS.]

The revisor of statutes shall delete references to "integrated service network," but not "community integrated service network," wherever it appears in Minnesota Statutes and make conforming changes as necessary.

Sec. 48. [REPEALER.]

(a) Minnesota Statutes 1996, sections 62J.04, subdivisions 4 and 7; 62J.05; 62J.051; 62J.09, subdivision 3a; 62J.37; 62N.01, subdivision 2; 62N.02, subdivisions 2, 3, 4b, 4c, 6, 7, 8, 9, 10, and 12; 62N.03; 62N.04; 62N.05; 62N.06; 62N.065; 62N.071; 62N.072; 62N.073; 62N.074; 62N.076; 62N.077; 62N.078; 62N.10; 62N.11; 62N.12; 62N.13; 62N.14; 62N.15; 62N.17; 62N.18; 62N.24; 62N.38; 62Q.165, subdivision 3; 62Q.25; 62Q.29; 62Q.41 and 147.01, subdivision 6, are repealed.

(b) Laws 1993, chapter 247, article 4, section 8; Laws 1995, chapter 96, section 2; and Laws 1995, First Special Session chapter 3, article 13, section 2, are repealed.

(c) Laws 1994, chapter 625, article 5, section 5, as amended by Laws 1995, chapter 234, article 3, section 8, is repealed.

Sec. 49. [EFFECTIVE DATE.]

Section 15 [62J.25] is effective the day following final enactment.

ARTICLE 3

MINNESOTACARE TAXES

Section 1. [16A.76] [FEDERAL RESERVE; HEALTH CARE ACCESS FUND.]

Subdivision 1. [ESTABLISH RESERVE.] The federal contingency reserve is established within the health care access fund for uses necessary to preserve access to basic health care services when federal funding is significantly reduced.

Subd. 2. [RESERVE FINANCING.] The funds in reserve shall be equal to the amount of federal financial participation received since July 1, 1995, for services and administrative activities funded by the health care access fund up to a reserve limit of $150,000,000. Investment income attributed to the federal contingency reserve balances shall also be included in the total reserve amount.

Subd. 3. [PERMITTED USE.] The federal contingency reserve is established to protect access to basic health care services that are publicly funded. Funds held in the federal contingency reserve are available for appropriation in the event that federal funds for basic health care services are significantly reduced such as under federal reform or other significant changes to federal law.

Subd. 4. [LIMITS ON USE.] The federal contingency reserve is not available for supplementing reductions in federal funding resulting from application of current federal law funding formulas, for funding long-term care services, or for replacing existing general fund commitments.

Sec. 2. Minnesota Statutes 1996, section 60A.15, subdivision 1, is amended to read:

Subdivision 1. [DOMESTIC AND FOREIGN COMPANIES.] (a) On or before April 1, June 1, and December 1 of each year, every domestic and foreign company, including town and farmers' mutual insurance companies, domestic mutual insurance companies, marine insurance companies, health maintenance organizations, ~~integrated service networks,~~ community integrated service networks, and nonprofit health service plan corporations, shall pay to the commissioner of revenue installments equal to one-third of the insurer's total estimated tax for the current year. Except as provided in paragraphs (d) and (e), installments must be based on a sum equal to two percent of the premiums described in paragraph (b).

(b) Installments under paragraph (a), (d), or (e) are percentages of gross premiums less return premiums on all direct business received by the insurer in this state, or by its agents for it, in cash or otherwise, during such year.

(c) Failure of a company to make payments of at least one-third of either (1) the total tax paid during the previous calendar year or (2) 80 percent of the actual tax for the current calendar year shall subject the company to the penalty and interest provided in this section, unless the total tax for the current tax year is $500 or less.

(d) For health maintenance organizations, nonprofit health services plan corporations, ~~integrated service networks,~~ and community integrated service networks, the installments must be based on an amount equal to one percent of premiums described in paragraph (b) that are paid after December 31, 1995.

(e) For purposes of computing installments for town and farmers' mutual insurance companies and for mutual property casualty companies with total assets on December 31, 1989, of $1,600,000,000 or less, the following rates apply:

(1) for all life insurance, two percent;

(2) for town and farmers' mutual insurance companies and for mutual property and casualty companies with total assets of $5,000,000 or less, on all other coverages, one percent; and

(3) for mutual property and casualty companies with total assets on December 31, 1989, of $1,600,000,000 or less, on all other coverages, 1.26 percent.

(f) Premiums under medical assistance, general assistance medical care, the MinnesotaCare program, and the Minnesota comprehensive health insurance plan and all payments, revenues, and reimbursements received from the federal government for Medicare-related coverage as defined in section 62A.31, subdivision 3, paragraph (e), are not subject to tax under this section.

(g) Notwithstanding paragraph (a), health maintenance organizations, community integrated service networks, and nonprofit health services plan corporations that have met the cost containment goals established under section 62J.04 in the individual and small employer market for calendar year 1996 are not required to pay the installments as required under paragraph (d) for premiums paid after April 1, 1997, and before March 31, 1998.

(h) Notwithstanding paragraph (a), health maintenance organizations, community integrated service networks, and nonprofit health services plan corporations that have met the cost containment goals established under section 62J.04 in the individual and small employer market for calendar year 1997 are not required to pay installments as required under paragraph (d) for premiums paid after April 1, 1998, and before March 31, 1999.

(i) In approving the premium rates as required in sections 62L.08, subdivision 8, and 62A.65, subdivision 3, the commissioners of health and commerce shall consider any nonpayment of installments as described in paragraphs (g) and (h) and shall ensure that this nonpayment is reflected in the premium rate.

Sec. 3. Minnesota Statutes 1996, section 256.9352, subdivision 3, is amended to read:

Subd. 3. [FINANCIAL MANAGEMENT.] (a) The commissioner shall manage spending for the MinnesotaCare program in a manner that maintains a minimum reserve ~~equal to five percent of the expected cost of state premium subsidies~~ in accordance with section 16A.76. The commissioner must make a quarterly assessment of the expected expenditures for the covered services for the remainder of the current biennium and for the following biennium. The estimated expenditure, including ~~minimum~~ the reserve requirements described in section 16A.76, shall be compared to an estimate of the revenues that will be deposited in the health care access fund. Based on this comparison, and after consulting with the chairs of the house ways and means committee and the senate finance committee, and the legislative commission on health care access, the commissioner shall, as necessary, make the adjustments specified in paragraph (b) to ensure that expenditures remain within the limits of available revenues for the remainder of the current biennium and for the following biennium. The commissioner shall not hire additional staff using appropriations from the health care access fund until the commissioner of finance makes a determination that the adjustments implemented under paragraph (b) are sufficient to allow MinnesotaCare expenditures to remain within the limits of available revenues for the remainder of the current biennium and for the following biennium.

(b) The adjustments the commissioner shall use must be implemented in this order: first, stop enrollment of single adults and households without children; second, upon 45 days' notice, stop coverage of single adults and households without children already enrolled in the MinnesotaCare program; third, upon 90 days' notice, decrease the premium subsidy amounts by ten percent for families with gross annual income above 200 percent of the federal poverty guidelines; fourth, upon 90 days' notice, decrease the premium subsidy amounts by ten percent for families with gross annual income at or below 200 percent; and fifth, require applicants to be uninsured for at least six months prior to eligibility in the MinnesotaCare program. If these measures are insufficient to limit the expenditures to the estimated amount of revenue, the commissioner shall further limit enrollment or decrease premium subsidies.

~~The reserve referred to in this subdivision is appropriated to the commissioner but may only be used upon approval of the commissioner of finance, if estimated costs will exceed the forecasted amount of available revenues after all adjustments authorized under this subdivision have been made.~~

~~By February 1, 1995, the department of human services and the department of health shall develop a plan to adjust benefit levels, eligibility guidelines, or other steps necessary to ensure that expenditures for the MinnesotaCare program are contained within the two percent taxes imposed under section 295.52 and the gross premiums tax imposed under section 60A.15, subdivision 1, paragraph (e), for fiscal year 1997.~~

~~(c) Notwithstanding paragraphs (a) and (b), the commissioner shall proceed with the enrollment of single adults and households without children in accordance with section 256.9354, subdivision 5, paragraph (a), even if the expenditures do not remain within the limits of available revenues through fiscal year 1997 to allow the departments of human services and health to develop the plan required under paragraph (b).~~

Sec. 4. Minnesota Statutes 1996, section 295.50, subdivision 3, is amended to read:

Subd. 3. [GROSS REVENUES.] "Gross revenues" are total amounts received in money or otherwise by:

(1) a hospital for patient services;

(2) a surgical center for patient services;

(3) a health care provider, other than a staff model health carrier, for patient services;

(4) a wholesale drug distributor for sale or distribution of legend drugs that are delivered~~: (i) to a Minnesota resident by a wholesale drug distributor who is a nonresident pharmacy directly, by common carrier, or by mail; or (ii)~~ in Minnesota by the wholesale drug distributor, by common carrier, or by mail, unless the legend drugs are delivered to another wholesale drug distributor who

sells legend drugs exclusively at wholesale. Legend drugs do not include nutritional products as defined in Minnesota Rules, part 9505.0325; and

(5) a staff model health plan company as gross premiums for enrollees, copayments, deductibles, coinsurance, and fees for patient services covered under its contracts with groups and enrollees~~; and~~

~~(6) a pharmacy for medical supplies, appliances, and equipment~~.

Sec. 5. Minnesota Statutes 1996, section 295.50, subdivision 4, is amended to read:

Subd. 4. [HEALTH CARE PROVIDER.] (a) "Health care provider" means:

(1) a person whose health care occupation is regulated or required to be regulated by the state of Minnesota furnishing any or all of the following goods or services directly to a patient or consumer: medical, surgical, optical, visual, dental, hearing, nursing services, drugs, ~~medical supplies, medical appliances,~~ laboratory, diagnostic or therapeutic services~~, or any~~; (2) a person who provides goods and services not listed ~~above~~ in clause (1) that qualify for reimbursement under the medical assistance program provided under chapter 256B~~. For purposes of this clause, "directly to a patient or consumer" includes goods and services provided in connection with independent medical examinations under section 65B.56 or other examinations for purposes of litigation or insurance claims~~;

~~(2)~~ (3) a staff model health plan company; ~~or~~

~~(3)~~ (4) an ambulance service required to be licensed; or

(5) a person who sells or repairs hearing aids and related equipment or prescription eyewear.

(b) Health care provider does not include hospitals~~,~~; medical supplies distributors, except as specified under paragraph (a), clause (5); nursing homes licensed under chapter 144A or licensed in any other jurisdiction~~,~~; pharmacies~~,~~; surgical centers~~,~~; bus and taxicab transportation, or any other providers of transportation services other than ambulance services required to be licensed~~,~~; supervised living facilities for persons with mental retardation or related conditions, licensed under Minnesota Rules, parts 4665.0100 to 4665.9900~~,~~; residential care homes licensed under chapter 144B~~,~~; board and lodging establishments providing only custodial services that are licensed under chapter 157 and registered under section 157.17 to provide supportive services or health supervision services~~,~~; adult foster homes as defined in Minnesota Rules, part 9555.5105~~,~~; day training and habilitation services for adults with mental retardation and related conditions as defined in section 252.41, subdivision 3~~,~~; and boarding care homes, as defined in Minnesota Rules, part 4655.0100.

(c) For purposes of this subdivision, "directly to a patient or consumer" includes goods and services provided in connection with independent medical examinations under section 65B.56 or other examinations for purposes of litigation or insurance claims.

Sec. 6. Minnesota Statutes 1996, section 295.50, subdivision 6, is amended to read:

Subd. 6. [HOME HEALTH CARE SERVICES.] "Home health care services" are services:

(1) defined under the state medical assistance program as home health agency services provided by a home health agency, personal care services and supervision of personal care services, private duty nursing services, and waivered services or services by home care providers required to be licensed under chapter 144A; and

(2) provided at a recipient's residence, if the recipient does not live in a hospital, nursing facility, as defined in section 62A.46, subdivision 3, or intermediate care facility for persons with mental retardation as defined in section 256B.055, subdivision 12, paragraph (d).

Sec. 7. Minnesota Statutes 1996, section 295.50, subdivision 7, is amended to read:

Subd. 7. [HOSPITAL.] "Hospital" means a hospital licensed under chapter 144, or a hospital licensed by any other ~~state or province or territory of Canada~~ jurisdiction.

Sec. 8. Minnesota Statutes 1996, section 295.50, subdivision 9b, is amended to read:

Subd. 9b. [PATIENT SERVICES.] "Patient services" means inpatient and outpatient services and other goods and services provided by hospitals, surgical centers, or health care providers. They include the following health care goods and services provided to a patient or consumer who is a Minnesota resident:

(1) bed and board;

(2) nursing services and other related services;

(3) use of hospitals, surgical centers, or health care provider facilities;

(4) medical social services;

(5) drugs, biologicals, supplies, appliances, and equipment;

(6) other diagnostic or therapeutic items or services;

(7) medical or surgical services;

(8) items and services furnished to ambulatory patients not requiring emergency care;

(9) emergency services; and

(10) covered services listed in section 256B.0625 and in Minnesota Rules, parts 9505.0170 to 9505.0475.

Sec. 9. Minnesota Statutes 1996, section 295.50, subdivision 13, is amended to read:

Subd. 13. [SURGICAL CENTER.] "Surgical center" is an outpatient surgical center as defined in Minnesota Rules, chapter 4675 or a similar facility located in any other ~~state or province or territory of Canada~~ jurisdiction.

Sec. 10. Minnesota Statutes 1996, section 295.50, subdivision 14, is amended to read:

Subd. 14. [WHOLESALE DRUG DISTRIBUTOR.] "Wholesale drug distributor" means a wholesale drug distributor required to be licensed under sections 151.42 to 151.51 ~~or a nonresident pharmacy required to be registered under section 151.19~~.

Sec. 11. Minnesota Statutes 1996, section 295.51, subdivision 1, is amended to read:

Subdivision 1. [BUSINESS TRANSACTIONS IN MINNESOTA.] A hospital, surgical center, ~~pharmacy,~~ or health care provider is subject to tax under sections 295.50 to 295.59 if it is "transacting business in Minnesota." A hospital, surgical center, ~~pharmacy,~~ or health care provider is transacting business in Minnesota if it maintains contacts with or presence in the state of Minnesota sufficient to permit taxation of gross revenues received for patient services under the United States Constitution.

Sec. 12. Minnesota Statutes 1996, section 295.52, subdivision 4, is amended to read:

Subd. 4. [USE TAX; PRESCRIPTION DRUGS.] A person that receives prescription drugs for resale or use in Minnesota, other than from a wholesale drug distributor that paid the tax under subdivision 3, is subject to a tax equal to two percent of the price paid. Liability for the tax is incurred when prescription drugs are received or delivered in Minnesota by the person.

Sec. 13. Minnesota Statutes 1996, section 295.52, is amended by adding a subdivision to read:

Subd. 6. [HEARING AIDS AND PRESCRIPTION EYEWEAR.] The tax liability of a person who meets the definition of a health care provider solely because the person sells or repairs hearing aids and related equipment or prescription eyewear is limited to the gross revenues received from the sale or repair of these items.

Sec. 14. Minnesota Statutes 1996, section 295.52, is amended by adding a subdivision to read:

Subd. 7. [TAX REDUCTION.] Notwithstanding subdivisions 1, 1a, 2, 3, and 4, the tax imposed under this section for calendar years 1998 and 1999 shall be equal to 1.75 percent of the gross revenues received on or after January 1, 1998, and before January 1, 2000.

Sec. 15. Minnesota Statutes 1996, section 295.53, subdivision 1, is amended to read:

Subdivision 1. [EXEMPTIONS.] (a) The following payments are excluded from the gross revenues subject to the hospital, surgical center, or health care provider taxes under sections 295.50 to 295.57:

(1) payments received for services provided under the Medicare program, including payments received from the government, and organizations governed by sections 1833 and 1876 of title XVIII of the federal Social Security Act, United States Code, title 42, section 1395, and enrollee deductibles, coinsurance, and copayments, whether paid by the Medicare enrollee or by a Medicare supplemental coverage as defined in section 62A.011, subdivision 3, clause (10). Payments for services not covered by Medicare are taxable;

(2) medical assistance payments including payments received directly from the government or from a prepaid plan;

(3) payments received for home health care services;

(4) payments received from hospitals or surgical centers for goods and services on which liability for tax is imposed under section 295.52 or the source of funds for the payment is exempt under clause (1), (2), (7), (8), or (10);

(5) payments received from health care providers for goods and services on which liability for tax is imposed under this chapter or the source of funds for the payment is exempt under clause (1), (2), (7), (8), or (10);

(6) amounts paid for legend drugs, other than nutritional products, to a wholesale drug distributor who is subject to tax under section 295.52, subdivision 3, reduced by reimbursements received for legend drugs under clauses (1), (2), (7), and (8);

(7) payments received under the general assistance medical care program including payments received directly from the government or from a prepaid plan;

(8) payments received for providing services under the MinnesotaCare program including payments received directly from the government or from a prepaid plan and enrollee deductibles, coinsurance, and copayments. For purposes of this clause, coinsurance means the portion of payment that the enrollee is required to pay for the covered service;

(9) payments received by a health care provider or the wholly owned subsidiary of a health care provider for care provided outside Minnesota to a patient who is not domiciled in Minnesota;

(10) payments received from the chemical dependency fund under chapter 254B;

(11) payments received in the nature of charitable donations that are not designated for providing patient services to a specific individual or group;

(12) payments received for providing patient services incurred through a formal program of health care research conducted in conformity with federal regulations governing research on human subjects. Payments received from patients or from other persons paying on behalf of the patients are subject to tax;

(13) payments received from any governmental agency for services benefiting the public, not including payments made by the government in its capacity as an employer or insurer;

(14) payments received for services provided by community residential mental health facilities licensed under Minnesota Rules, parts 9520.0500 to 9520.0690, community support programs and

family community support programs approved under Minnesota Rules, parts 9535.1700 to 9535.1760, and community mental health centers as defined in section 245.62, subdivision 2;

(15) government payments received by a regional treatment center;

(16) payments received for hospice care services;

(17) payments received by a health care provider for ~~medical supplies, appliances, and equipment~~ hearing aids and related equipment or prescription eyewear delivered outside of Minnesota;

(18) payments received by a post-secondary educational institution from student tuition, student activity fees, health care service fees, government appropriations, donations, or grants. Fee for service payments and payments for extended coverage are taxable; and

(19) payments received for services provided by: assisted living programs and congregate housing programs.

(b) Payments received by wholesale drug distributors for ~~prescription~~ legend drugs sold directly to veterinarians or veterinary bulk purchasing organizations are excluded from the gross revenues subject to the wholesale drug distributor tax under sections 295.50 to 295.59.

Sec. 16. Minnesota Statutes 1996, section 295.53, subdivision 3, is amended to read:

Subd. 3. [SEPARATE STATEMENT OF TAX.] A hospital, surgical center, ~~pharmacy,~~ or health care provider must not state the tax obligation under section 295.52 in a deceptive or misleading manner. It must not separately state tax obligations on bills provided to patients, consumers, or other payers when the amount received for the services or goods is not subject to tax.

Pharmacies that separately state the tax obligations on bills provided to consumers or to other payers who purchase legend drugs may state the tax obligation as two percent of the wholesale price of the legend drugs. Pharmacies must not state the tax obligation as two percent of the retail price.

Whenever the commissioner determines that a person has engaged in any act or practice constituting a violation of this subdivision, the commissioner may bring an action in the name of the state in the district court of the appropriate county to enjoin the act or practice and to enforce compliance with this subdivision, or the commissioner may refer the matter to the attorney general or the county attorney of the appropriate county. Upon a proper showing, a permanent or temporary injunction, restraining order, or other appropriate relief must be granted.

Sec. 17. Minnesota Statutes 1996, section 295.53, subdivision 4, is amended to read:

Subd. 4. [DEDUCTION FOR RESEARCH.] (a) In addition to the exemptions allowed under subdivision 1, a hospital or health care provider ~~which is exempt under section 501(c)(3) of the Internal Revenue Code of 1986 or is owned and operated under authority of a governmental unit,~~ may deduct from its gross revenues subject to the hospital or health care provider taxes under sections 295.50 to 295.57 revenues equal to expenditures for qualifying research conducted by an allowable research ~~programs~~ program.

(b) For purposes of this subdivision, the following requirements apply:

(1) expenditures ~~for allowable research programs are the direct and general~~ must be for program costs ~~for activities which are part~~ of qualifying research conducted by an allowable research program;

(2) an allowable research program must be a formal program of medical and health care research ~~approved by the governing body of the hospital or health care provider which also includes active solicitation of research funds from government and private sources. Allowable~~ conducted by an entity which is exempt under section 501(c)(3) of the Internal Revenue Code of 1986 or is owned and operated under authority of a governmental unit;

(3) qualifying research must:

(A) be approved in writing by the governing body of the hospital or health care provider which is taking the deduction under this subdivision;

~~(1)~~ (B) have as its purpose the development of new knowledge in basic or applied science relating to the diagnosis and treatment of conditions affecting the human body;

~~(2)~~ (C) be subject to review by individuals with expertise in the subject matter of the proposed study but who have no financial interest in the proposed study and are not involved in the conduct of the proposed study; and

~~(3)~~ (D) be subject to review and supervision by an institutional review board operating in conformity with federal regulations if the research involves human subjects or an institutional animal care and use committee operating in conformity with federal regulations if the research involves animal subjects. Research expenses are not exempt if the study is a routine evaluation of health care methods or products used in a particular setting conducted for the purpose of making a management decision. Costs of clinical research activities paid directly for the benefit of an individual patient are excluded from this exemption. Basic research in fields including biochemistry, molecular biology, and physiology are also included if such programs are subject to a peer review process.

(c) No deduction shall be allowed under this subdivision for any revenue received by the hospital or health care provider in the form of a grant, gift, or otherwise, whether from a government or nongovernment source, on which the tax liability under section 295.52 is not imposed ~~or for which the tax liability under section 295.52 has been received from a third party as provided for in section 295.582~~.

(d) Effective beginning with calendar year 1995, the taxpayer shall not take the deduction under this section into account in determining estimated tax payments or the payment made with the annual return under section 295.55. The total deduction allowable to all taxpayers under this section for calendar years beginning after December 31, 1994, may not exceed $65,000,000. To implement this limit, each qualifying hospital and qualifying health care provider shall submit to the commissioner by March 15 its total expenditures qualifying for the deduction under this section for the previous calendar year. The commissioner shall sum the total expenditures of all taxpayers qualifying under this section for the calendar year. If the resulting amount exceeds $65,000,000, the commissioner shall allocate a part of the $65,000,000 deduction limit to each qualifying hospital and health care provider in proportion to its share of the total deductions. The commissioner shall pay a refund to each qualifying hospital or provider equal to its share of the deduction limit multiplied by two percent. The commissioner shall pay the refund no later than May 15 of the calendar year.

Sec. 18. Minnesota Statutes 1996, section 295.54, subdivision 1, is amended to read:

Subdivision 1. [TAXES PAID TO ANOTHER STATE.] A hospital, surgical center, ~~pharmacy,~~ or health care provider that has paid taxes to another ~~state or province or territory of Canada~~ jurisdiction measured by gross revenues and is subject to tax under sections 295.52 to 295.59 on the same gross revenues is entitled to a credit for the tax legally due and paid to another ~~state or province or territory of Canada~~ jurisdiction to the extent of the lesser of (1) the tax actually paid to the other ~~state or province or territory of Canada~~ jurisdiction, or (2) the amount of tax imposed by Minnesota on the gross revenues subject to tax in the other taxing jurisdictions.

Sec. 19. Minnesota Statutes 1996, section 295.54, subdivision 2, is amended to read:

Subd. 2. [PHARMACY ~~CREDIT~~ REFUND.] A pharmacy may claim ~~a quarterly credit~~ an annual refund against the total amount of tax, if any, the pharmacy owes during that ~~quarter~~ calendar year under section 295.52, subdivision ~~1b, as provided in this subdivision~~ 2. The ~~credit~~ refund shall equal two percent of the amount paid by the pharmacy to a wholesale drug distributor subject to tax under section 295.52, subdivision 3, for legend drugs delivered by the pharmacy outside of Minnesota, except for the period of time described in section 295.52, subdivision 7,

during which the refund shall equal 1.75 percent of the amount paid. If the amount of the ~~credit~~ refund exceeds the tax liability of the pharmacy under section 295.52, subdivision 1b, the commissioner shall provide the pharmacy with a refund equal to the excess amount. Each qualifying pharmacy must apply for the refund on the annual return as provided under section 295.55, subdivision 5. The refund must be claimed within one year of the due date of the return. Interest on refunds paid under this subdivision will begin to accrue 60 days after the date a claim for refund is filed. For purposes of this subdivision, the date a claim is filed is the due date of the return or the date of the actual claim for refund, whichever is later.

Sec. 20. Minnesota Statutes 1996, section 295.55, subdivision 2, is amended to read:

Subd. 2. [ESTIMATED TAX; HOSPITALS; SURGICAL CENTERS.] (a) Each hospital or surgical center must make estimated payments of the taxes for the calendar year in monthly installments to the commissioner within ~~ten~~ 15 days after the end of the month.

(b) Estimated tax payments are not required of hospitals or surgical centers if the tax for the calendar year is less than $500 or if a hospital has been allowed a grant under section 144.1484, subdivision 2, for the year.

(c) Underpayment of estimated installments bear interest at the rate specified in section 270.75, from the due date of the payment until paid or until the due date of the annual return at the rate specified in section 270.75. An underpayment of an estimated installment is the difference between the amount paid and the lesser of (1) 90 percent of one-twelfth of the tax for the calendar year or (2) the tax for the actual gross revenues received during the month.

Sec. 21. Minnesota Statutes 1996, section 295.582, is amended to read:

295.582 [AUTHORITY.]

(a) A hospital, surgical center, ~~pharmacy,~~ or health care provider that is subject to a tax under section 295.52, or a pharmacy that has paid additional expense transferred under this section by a wholesale drug distributor, may transfer additional expense generated by section 295.52 obligations on to all third-party contracts for the purchase of health care services on behalf of a patient or consumer. The additional expense transferred to the third-party purchaser must not exceed two percent of the gross revenues received under the third-party contract, and two percent of copayments and deductibles paid by the individual patient or consumer, except for the period of time described in section 295.52, subdivision 7, during which the amount transferred must not exceed 1.75 percent of the gross revenues received and 1.75 percent of copayments and deductibles paid. The expense must not be generated on revenues derived from payments that are excluded from the tax under section 295.53. All third-party purchasers of health care services including, but not limited to, third-party purchasers regulated under chapter 60A, 62A, 62C, 62D, 62H, 62N, 64B, 65A, 65B, 79, or 79A, or under section 471.61 or 471.617, must pay the transferred expense in addition to any payments due under existing contracts with the hospital, surgical center, pharmacy, or health care provider, to the extent allowed under federal law. A third-party purchaser of health care services includes, but is not limited to, a health carrier, ~~integrated service network,~~ or community integrated service network that pays for health care services on behalf of patients or that reimburses, indemnifies, compensates, or otherwise insures patients for health care services. A third-party purchaser shall comply with this section regardless of whether the third-party purchaser is a for-profit, not-for-profit, or nonprofit entity. A wholesale drug distributor may transfer additional expense generated by section 295.52 obligations to entities that purchase from the wholesaler, and the entities must pay the additional expense. Nothing in this section limits the ability of a hospital, surgical center, pharmacy, wholesale drug distributor, or health care provider to recover all or part of the section 295.52 obligation by other methods, including increasing fees or charges.

(b) Each third-party purchaser regulated under any chapter cited in paragraph (a) shall include with its annual renewal for certification of authority or licensure documentation indicating compliance with paragraph (a).

(c) Any hospital, surgical center, or health care provider subject to a tax under section 295.52 or

a pharmacy that has paid additional expense transferred under this section by a wholesale drug distributor may file a complaint with the commissioner responsible for regulating the third-party purchaser if at any time the third-party purchaser fails to comply with paragraph (a).

(d) If the commissioner responsible for regulating the third-party purchaser finds at any time that the third-party purchaser has not complied with paragraph (a), the commissioner may take enforcement action against a third-party purchaser which is subject to the commissioner's regulatory jurisdiction and which does not allow a hospital, surgical center, pharmacy, or provider to pass-through the tax. The commissioner may by order fine or censure the third-party purchaser or revoke or suspend the certificate of authority or license of the third-party purchaser to do business in this state if the commissioner finds that the third-party purchaser has not complied with this section. The third-party purchaser may appeal the commissioner's order through a contested case hearing in accordance with chapter 14.

Sec. 22. [REPEALER.]

Minnesota Statutes 1996, sections 295.52, subdivision 1b; and 295.53, subdivision 5, are repealed.

Sec. 23. [EFFECTIVE DATES.]

Sections 7 [295.50, s.7], 9 [295.50, s.13], 10 [295.50, s.14], 12 [295.52, s.4], and 18 [295.54, s.1] are effective the day following final enactment.

Section 17 [295.53, s.4] is effective for research expenditures incurred after December 31, 1996.

Section 20 [295.55, s.2] is effective for estimated payments due after July 1, 1997.

Section 13 [295.52, s.6] is effective for services rendered and revenue received after December 3, 1997.

Sections 4 [295.50, s.3], 5 [295.50, s.4], 6 [295.50, s.6], 11 [295.51, s.1], 15 [295.53, s.1], and 16 [295.53, s.3] are effective January 1, 1998."

Delete the title and insert:

"A bill for an act relating to MinnesotaCare; eliminating the health care commission; modifying the regional coordinating boards; eliminating integrated service networks; modifying the health technology advisory committee; expanding the eligibility of the MinnesotaCare program; modifying general assistance medical care; modifying the enforcement mechanisms for the provider tax pass-through; modifying mandatory Medicare assignment; making technical, policy, and administrative changes and connections to MinnesotaCare taxes; providing grants for MinnesotaCare outreach; appropriating money; amending Minnesota Statutes 1996, sections 60A.15, subdivision 1; 60A.951, subdivision 5; 62A.61; 62J.017; 62J.06; 62J.07, subdivisions 1 and 3; 62J.09, subdivision 1; 62J.15, subdivision 1; 62J.152, subdivisions 1, 2, 4, and 5; 62J.17, subdivision 6a; 62J.22; 62J.25; 62J.2914, subdivision 1; 62J.2915; 62J.2916, subdivision 1; 62J.2917, subdivision 2; 62J.2921, subdivision 2; 62J.451, subdivision 6b; 62M.02, subdivision 21; 62N.01, subdivision 1; 62N.22; 62N.23; 62N.25, subdivision 5; 62N.26; 62N.40; 62Q.01, subdivisions 3, 4, and 5; 62Q.03, subdivision 5a; 62Q.106; 62Q.19, subdivision 1; 62Q.33, subdivision 2; 62Q.45, subdivision 2; 136A.1355; 144.147, subdivisions 1, 2, 3, and 4; 144.1484, subdivision 1; 256.9352, subdivision 3; 256.9353, subdivisions 1, 3, and 7; 256.9354, subdivisions 4, 5, 6, 7, and by adding a subdivision; 256.9355, subdivisions 1, 4, and by adding a subdivision; 256.9357, subdivision 3; 256.9359, subdivision 2; 256.9363, subdivisions 1 and 5; 256.9657, subdivision 3; 256B.04, by adding a subdivision; 256D.03, subdivision 3; 295.50, subdivisions 3, 4, 6, 7, 9b, 13, and 14; 295.51, subdivision 1; 295.52, subdivision 4, and by adding subdivisions; 295.53, subdivisions 1, 3, and 4; 295.54, subdivisions 1 and 2; 295.55, subdivision 2; and 295.582; proposing coding for new law in Minnesota Statutes, chapters 16A; 144; and 256; repealing Minnesota Statutes 1996, sections 62J.04, subdivisions 4 and 7; 62J.05; 62J.051; 62J.09, subdivision 3a; 62J.37; 62N.01, subdivision 2; 62N.02, subdivisions 2, 3, 4b, 4c, 6, 7, 8, 9, 10, and 12; 62N.03; 62N.04; 62N.05; 62N.06; 62N.065; 62N.071; 62N.072; 62N.073; 62N.074; 62N.076;

62N.077; 62N.078; 62N.10; 62N.11; 62N.12; 62N.13; 62N.14; 62N.15; 62N.17; 62N.18; 62N.24; 62N.38; 62Q.165, subdivision 3; 62Q.25; 62Q.29; 62Q.41; 147.01, subdivision 6; 295.52, subdivision 1b; and 295.53, subdivision 5; Laws 1993, chapter 247, article 4, section 8; Laws 1994, chapter 625, article 5, section 5, as amended; Laws 1995, chapter 96, section 2; and Laws 1995, First Special Session chapter 3, article 13, section 2."

And when so amended the bill do pass and be re-referred to the Committee on Taxes.

Pursuant to Joint Rule 2.03, the bill was referred to the Committee on Rules and Administration.

Mr. Novak from the Committee on Jobs, Energy and Community Development, to which was referred

S.F. No. 1038: A bill for an act relating to capital improvements; requiring reporting on certain laws authorizing bonds; amending Minnesota Statutes 1996, section 16A.642, subdivision 1, and by adding a subdivision.

Reports the same back with the recommendation that the bill do pass and be re-referred to the Committee on State Government Finance.

Pursuant to Joint Rule 2.03, the bill was referred to the Committee on Rules and Administration.

Mr. Novak from the Committee on Jobs, Energy and Community Development, to which was referred

S.F. No. 1751: A bill for an act relating to economic development; requiring the commissioner of trade and economic development to designate Koochiching county as an enterprise zone.

Reports the same back with the recommendation that the bill do pass and be re-referred to the Committee on Taxes. Report adopted.

Mr. Moe, R.D. from the Committee on Rules and Administration, to which was referred under Joint Rule 2.03, together with the committee report thereon,

S.F. No. 234: A bill for an act relating to human services; adding provisions for licensing programs; imposing and modifying civil penalties; amending Minnesota Statutes 1996, sections 14.387; 144.057, subdivision 1; 144A.46, subdivision 5; 245A.02, subdivisions 15, 16, and 17; 245A.04, subdivisions 3, 3a, 3b, 3c, 4, 5, 6, 7, and by adding a subdivision; 245A.06, subdivisions 1, 3, 4, 5, 5a, 6, and 7; 245A.07, subdivisions 1 and 3; 245A.08, subdivisions 1 and 2; 245A.09, subdivision 7; 245A.11, subdivision 2; 245A.16, subdivision 2; 256E.115; and 364.09; proposing coding for new law in Minnesota Statutes, chapter 245A; repealing Minnesota Statutes 1996, sections 245A.091; 245A.20; 245A.21; and 252.53; Laws 1996, chapter 408, article 10, section 13; Minnesota Rules, parts 9503.0170, subpart 7; 9525.0215; 9525.0225; 9525.0235; 9525.0243; 9525.0245; 9525.0255; 9525.0265; 9525.0275; 9525.0285; 9525.0295; 9525.0305; 9525.0315; 9525.0325; 9525.0335; 9525.0345; 9525.0355; 9525.0500; 9525.0510; 9525.0520; 9525.0530; 9525.0540; 9525.0550; 9525.0560; 9525.0570; 9525.0580; 9525.0590; 9525.0600; 9525.0610; 9525.0620; 9525.0630; 9525.0640; 9525.0650; 9525.0660; 9525.1240, subpart 1, item E, subitem (6); 9525.1500; 9525.1510; 9525.1520; 9525.1530; 9525.1540; 9525.1550; 9525.1560; 9525.1570; 9525.1590; 9525.1610; 9525.1620; 9525.1630; 9525.1640; 9525.1650; 9525.1660; 9525.1670; 9525.1680; 9525.1690; 9525.2000; 9525.2010; 9525.2020; 9525.2025; 9525.2030; 9525.2040; 9525.2050; 9525.2060; 9525.2070; 9525.2080; 9525.2090; 9525.2100; 9525.2110; 9525.2120; 9525.2130; 9525.2140; 9543.3070; 9555.8000; 9555.8100; 9555.8200; 9555.8300; 9555.8400; and 9555.8500.

Reports the same back with the recommendation that the report from the Committee on Health and Family Security, shown in the Journal for April 4, 1997, be adopted; that committee recommendation being:

"the bill be amended and when so amended the bill do pass and be re-referred to the Committee on Governmental Operations and Veterans". Amendments adopted. Report adopted.

Mr. Moe, R.D. from the Committee on Rules and Administration, to which was referred under Joint Rule 2.03, together with the committee report thereon,

S.F. No. 184: A bill for an act relating to the environment; modifying requirements relating to toxics in products; amending Minnesota Statutes 1996, section 115A.9651.

Reports the same back with the recommendation that the report from the Committee on Environment and Natural Resources, shown in the Journal for April 8, 1997, be adopted; that committee recommendation being:

"the bill be amended and when so amended the bill do pass and be re-referred to the Committee on Governmental Operations and Veterans". Amendments adopted. Report adopted.

Mr. Moe, R.D. from the Committee on Rules and Administration, to which was referred under Joint Rule 2.03, together with the committee report thereon,

S.F. No. 1122: A bill for an act relating to local governments; establishing an advisory council on local government roles and responsibilities; appropriating money.

Reports the same back with the recommendation that the report from the Committee on Local and Metropolitan Government, shown in the Journal for April 8, 1997, be adopted; that committee recommendation being:

"the bill do pass and be re-referred to the Committee on Governmental Operations and Veterans". Report adopted.

Mr. Moe, R.D. from the Committee on Rules and Administration, to which was referred under Joint Rule 2.03, together with the committee report thereon,

S.F. No. 920: A bill for an act relating to health; regulating health plans; providing for certain disclosures; amending Minnesota Statutes 1996, sections 62J.04, subdivisions 1, 1a, and 3; and 62J.041; repealing Minnesota Statutes 1996, section 62J.042.

Reports the same back with the recommendation that the report from the Committee on Health and Family Security, shown in the Journal for April 4, 1997, be adopted; that committee recommendation being:

"the bill be amended and when so amended the bill do pass". Amendments adopted. Report adopted.

Mr. Moe, R.D. from the Committee on Rules and Administration, to which was referred under Joint Rule 2.03, together with the committee report thereon,

S.F. No. 830: A bill for an act relating to family law; child support; classifying data on certain obligors; reducing the time period for remitting amounts withheld to the public authority; requiring a report on independent contractors; amending Minnesota Statutes 1996, sections 171.12, by adding a subdivision; and 518.611, subdivision 4.

Reports the same back with the recommendation that the report from the Committee on Judiciary, shown in the Journal for April 8, 1997, be adopted; that committee recommendation being:

"the bill be amended and when so amended the bill do pass and be re-referred to the Committee on Health and Family Security". Amendments adopted. Report adopted.

Mr. Moe, R.D. from the Committee on Rules and Administration, to which was referred under Rule 35, together with the committee report thereon,

S.F. No. 705: A bill for an act relating to highways; allowing substitution in metropolitan area of another project in state transportation improvement program for designated toll facility project; providing for municipal review and dispute resolution process for state highway project in municipality; requiring revisions to state transportation plan every four years; allowing nonmetropolitan district offices of department of transportation to receive grants for transportation studies; making technical changes; amending Minnesota Statutes 1996, sections 160.92; 161.17; 161.172; 161.173; 161.174; 161.176; 161.177; and 174.03, subdivisions 1a and 2; and Laws 1995, chapter 265, article 2, section 2, subdivision 7; proposing coding for new law in Minnesota Statutes, chapter 161; repealing Minnesota Statutes 1996, sections 161.171; and 161.175.

Reports the same back with the recommendation that the report from the Committee on Transportation, shown in the Journal for April 1, 1997, be amended to read:

"the bill be amended and when so amended the bill do pass and be re-referred to the Committee on Local and Metropolitan Government". Amendments adopted. Report adopted.

SECOND READING OF SENATE BILLS

S.F. Nos. 1881 and 920 were read the second time.

INTRODUCTION AND FIRST READING OF SENATE BILLS

The following bills were read the first time and referred to the committees indicated.

Mr. Johnson, D.J. and Mrs. Scheid introduced--

S.F. No. 1882: A bill for an act relating to sales tax; providing an exemption for certain machinery and equipment used by ski areas; amending Minnesota Statutes 1996, section 297A.25, by adding a subdivision.

Referred to the Committee on Taxes.

Messrs. Johnson, D.J.; Janezich and Lessard introduced--

S.F. No. 1883: A bill for an act relating to taxation; clarifying the application of the exemption from sales tax to certain replacement equipment used by the mining industry; amending Minnesota Statutes 1996, section 297A.01, subdivision 16.

Referred to the Committee on Taxes.

Mr. Novak introduced--

S.F. No. 1884: A bill for an act relating to labor; establishing rights and duties in relation to union organization; providing that certain acts are an unfair labor practice; providing penalties; amending Minnesota Statutes 1996, sections 179.12; 179A.07, by adding a subdivision; and 179A.13, subdivision 2.

Referred to the Committee on Jobs, Energy and Community Development.

Messrs. Murphy; Johnson, D.J.; Hottinger; Mrs. Scheid and Mr. Belanger introduced--

S.F. No. 1885: A bill for an act relating to taxation; eliminating the requirement for accelerated payment of certain cigarette, tobacco products, and liquor excise taxes; amending Minnesota

Statutes 1996, sections 297.07, subdivision 1; 297.23, subdivision 4; 297.35, subdivision 1; 297C.03, subdivision 1; and 297C.04; repealing Minnesota Statutes 1996, sections 297.07, subdivision 4; 297.35, subdivision 5; and 297C.05, subdivision 2.

Referred to the Committee on Taxes.

Mrs. Fischbach and Mr. Johnson, D.E. introduced--

S.F. No. 1886: A bill for an act relating to education; providing for a fund transfer for independent school district No. 2364, Belgrade-Brooten-Elrosa.

Referred to the Committee on Children, Families and Learning.

Mr. Novak introduced--

S.F. No. 1887: A bill for an act relating to railroads; prohibiting a railroad from permitting a road or street crossing a railroad track within New Brighton to be closed for more than five minutes; prescribing a criminal penalty.

Referred to the Committee on Transportation.

Mr. Stumpf introduced--

S.F. No. 1888: A bill for an act relating to education; appropriating money for education and related purposes to the higher education services office, board of trustees of the Minnesota state colleges and universities, board of regents of the University of Minnesota, and the Mayo medical foundation, with certain conditions; prescribing changes in certain financial assistance programs; establishing educational savings plan accounts; clarifying duties of the higher education services office; providing for appropriations for certain enrollments; defining the mission for the Minnesota state colleges and universities system; clarifying the common numbering and credit transfer requirements; making technical corrections relating to the post-secondary merger; modifying the higher education facilities authority revenue bond authority; modifying certain capital improvement projects; placing a condition on referendums by campus student associations; establishing the Minnesota Virtual University and a roundtable on vocational technical education; amending Minnesota Statutes 1996, sections 16A.69, subdivision 2; 125.1385, subdivision 2; 126.56, subdivisions 2, 4a, and 7; 135A.031, subdivision 2; 135A.052, subdivision 1; 135A.08, subdivision 2; 136A.01, subdivision 2, and by adding a subdivision; 136A.03; 136A.121, subdivisions 5, 7, and 9a; 136A.125, subdivisions 3 and 4; 136A.136, subdivision 2; 136A.15, by adding a subdivision; 136A.16, subdivisions 1, 2, 8, and by adding subdivisions; 136A.171; 136A.173, subdivisions 1, 3, and 5; 136A.174; 136A.175, subdivisions 1 and 2; 136A.233, subdivisions 1 and 2; 136A.29, subdivision 9; 136F.05; 216C.27, subdivision 7; 290.01, subdivision 19b; Laws 1994, chapter 643, sections 10, subdivision 10, as amended; and 19, subdivision 9, as amended; proposing coding for new law in Minnesota Statutes, chapters 136A; and 290; repealing Laws 1995, chapter 212, article 4, section 34; and Laws 1995 First Special Session chapter 2, article 1, sections 35 and 36.

Referred to the Committee on Taxes.

ADJOURNMENT

Ms. Junge moved that the Senate do now adjourn until 8:00 a.m., Thursday, April 10, 1997. The motion prevailed.

Patrick E. Flahaven, Secretary of the Senate

INDEX TO DAILY JOURNAL

Wednesday, April 9, 1997

EXECUTIVE AND OFFICIAL COMMUNICATIONS

CHAPTER LAWS

MESSAGES FROM THE HOUSE AND FIRST READINGS OF HOUSE FILES

SUSPENSION OF RULES

REPORTS OF COMMITTEES AND SECOND READINGS

MOTIONS AND RESOLUTIONS

INTRODUCTION AND FIRST READING OF SENATE BILLS