

STATE OF MINNESOTA

Journal of the Senate

EIGHTIETH LEGISLATURE

SIXTY-THIRD DAY

St. Paul, Minnesota, Monday, May 19, 1997

The Senate met at 9:00 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, Thomas J. Stillday, Jr.

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

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

Anderson	Higgins	Laidig	Oliver	Scheevel
Beckman	Hottinger	Langseth	Olson	Scheid
Belanger	Janezich	Larson	Ourada	Solon
Berg	Johnson, D.E.	Lesewski	Pappas	Spear
Berglin	Johnson, D.H.	Lessard	Pariseau	Stevens
Betzold	Johnson, D.J.	Limmer	Piper	Stumpf
Cohen	Johnson, J.B.	Lourey	Pogemiller	Ten Eyck
Day	Junge	Marty	Price	Terwilliger
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	
Hanson	Krentz	Novak	Samuelson	

The President declared a quorum present.

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

MESSAGES FROM THE HOUSE

Mr. President:

I have the honor to announce the passage by the House of the following Senate File, herewith returned: S.F. No. 199.

Edward A. Burdick, Chief Clerk, House of Representatives

Returned May 17, 1997

Mr. President:

I have the honor to announce that the House has acceded to the request of the Senate for the

appointment of a Conference Committee, consisting of 3 members of the House, on the amendments adopted by the House to the following Senate File:

S.F. No. 412: A bill for an act relating to employment; establishing and modifying certain salary provisions for certain public employees; amending Minnesota Statutes 1996, sections 3.855, subdivision 3; 15A.081, subdivisions 7b, 8, and 9; 15A.083, subdivisions 5, 6a, and 7; 43A.17, subdivisions 1 and 3; 43A.18, subdivisions 4 and 5; 85A.02, subdivision 5a; 298.22, subdivision 1; and 349A.02, subdivision 1; proposing coding for new law in Minnesota Statutes, chapter 15A; repealing Minnesota Statutes 1996, section 15A.081, subdivisions 1 and 7.

There has been appointed as such committee on the part of the House:

Jennings, Greiling and Sviggum.

Senate File No. 412 is herewith returned to the Senate.

Edward A. Burdick, Chief Clerk, House of Representatives

Returned May 17, 1997

Mr. President:

I have the honor to announce the passage by the House of the following Senate File, AS AMENDED by the House, in which amendments the concurrence of the Senate is respectfully requested:

S.F. No. 203: A bill for an act relating to adoption; creating a fathers' adoption registry; amending adoption notice and consent provisions relating to fathers; appropriating money; amending Minnesota Statutes 1996, sections 13.99, by adding a subdivision; 257.352, subdivision 3, and by adding subdivisions; 259.49, subdivision 1; 260.221, subdivision 1, and by adding a subdivision; and 357.021, subdivision 2; proposing coding for new law in Minnesota Statutes, chapter 259; repealing Minnesota Statutes 1996, section 259.51.

Senate File No. 203 is herewith returned to the Senate.

Edward A. Burdick, Chief Clerk, House of Representatives

Returned May 17, 1997

CONCURRENCE AND REPASSAGE

Ms. Berglin moved that the Senate concur in the amendments by the House to S.F. No. 203 and that the bill be placed on its repassage as amended. The motion prevailed.

S.F. No. 203 was read the third time, as amended by the House, and placed on its repassage.

The question was taken on the repassage of the bill, as amended.

The roll was called, and there were yeas 60 and nays 1, as follows:

Those who voted in the affirmative were:

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

Mr. Limmer voted in the negative.

So the bill, as amended, was repassed and its title was agreed to.

MESSAGES FROM THE HOUSE - CONTINUED

Mr. President:

I have the honor to announce the passage by the House of the following Senate File, AS AMENDED by the House, in which amendments the concurrence of the Senate is respectfully requested:

S.F. No. 1754: A bill for an act relating to public finance; modifying provisions relating to the issuance of debt and the use and investment of public funds; amending Minnesota Statutes 1996, sections 118A.04, subdivision 9; 118A.05, subdivision 4; 136A.32, subdivision 7; 373.01, subdivision 3; 373.40, subdivision 7; 410.32; 412.301; 414.067, subdivision 2; 429.021, subdivision 1; 447.45, subdivision 2; 465.71; 469.0171; 469.034, subdivision 2; 469.059, subdivision 6; 469.101, subdivision 6; 469.153, subdivision 2; 469.154, subdivisions 3, and 6; 469.155, by adding a subdivision; 471.981, by adding a subdivision; 475.61, subdivision 3; 475.67, subdivision 12; and 641.23; proposing coding for new law in Minnesota Statutes, chapters 471; and 475.

Senate File No. 1754 is herewith returned to the Senate.

Edward A. Burdick, Chief Clerk, House of Representatives

Returned May 17, 1997

CONCURRENCE AND REPASSAGE

Mr. Pogemiller moved that the Senate concur in the amendments by the House to S.F. No. 1754 and that the bill be placed on its repassage as amended. The motion prevailed.

S.F. No. 1754 was read the third time, as amended by the House, and placed on its repassage.

The question was taken on the repassage of the bill, as amended.

The roll was called, and there were yeas 63 and nays 0, as follows:

Those who voted in the affirmative were:

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

So the bill, as amended, was repassed and its title was agreed to.

MESSAGES FROM THE HOUSE - CONTINUED

Mr. President:

I have the honor to announce the passage by the House of the following House File, herewith transmitted: H.F. No. 113.

Edward A. Burdick, Chief Clerk, House of Representatives

Transmitted May 17, 1997

FIRST READING OF HOUSE BILLS

The following bill was read the first time and referred to the committee indicated.

H.F. No. 113: A bill for an act proposing an amendment to the Minnesota Constitution, article XI, section 14; extending until the year 2020 the period during which at least 40 percent of the net proceeds from the state lottery must be credited to the environment and natural resources trust fund; modifying authority for appropriations from the fund.

Referred to the Committee on Environment and Natural Resources.

MOTIONS AND RESOLUTIONS

Messrs. Moe, R.D.; Johnson, D.E.; Spear; Larson and Stumpf introduced--

Senate Resolution No. 62: A Senate resolution honoring President Nils Hasselmo for his years of service to the state and the University of Minnesota.

Mr. Moe, R.D. moved that Senate Resolution No. 62 be laid on the table. The motion prevailed.

S.F. No. 1255 and the Conference Committee Report thereon were reported to the Senate.

CONFERENCE COMMITTEE REPORT ON S.F. NO. 1255

A bill for an act relating to campaign finance; clarifying limits on contributions to candidates for local elected office; amending Minnesota Statutes 1996, section 211A.12.

May 16, 1997

The Honorable Allan H. Spear
President of the Senate

The Honorable Phil Carruthers
Speaker of the House of Representatives

We, the undersigned conferees for S.F. No. 1255, report that we have agreed upon the items in dispute and recommend as follows:

That the House recede from its amendment and that S.F. No. 1255 be further amended as follows:

Page 2, after line 1, insert:

"Sec. 2. [211A.14] [CONTRIBUTIONS AND SOLICITATIONS DURING LEGISLATIVE SESSION.]

A legislator or state constitutional officer who is a candidate for a county, city, or town office, the candidate's principal campaign committee, and any other political committee with the candidate's name or title may not solicit or accept a contribution from a political fund or registered lobbyist during a regular session of the legislature."

Page 2, line 2, delete "2" and insert "3"

Amend the title as follows:

Page 1, line 3, after the semicolon, insert "prohibiting solicitation and acceptance of certain contributions during legislative sessions;"

Page 1, line 4, before the period, insert "; proposing coding for new law in Minnesota Statutes, chapter 211A"

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

Senate Conferees: (Signed) William V. Belanger, Jr., Pat Pariseau, John Marty

House Conferees: (Signed) Mark P. Mahon, Gail Skare, Jim Knoblach

Mr. Belanger moved that the foregoing recommendations and Conference Committee Report on S.F. No. 1255 be now adopted, and that the bill be repassed as amended by the Conference Committee. The motion prevailed. So the recommendations and Conference Committee Report were adopted.

S.F. No. 1255 was read the third time, as amended by the Conference Committee, and placed on its repassage.

The question was taken on the repassage of the bill, as amended by the Conference Committee.

The roll was called, and there were yeas 62 and nays 1, as follows:

Those who voted in the affirmative were:

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

Ms. Hanson voted in the negative.

So the bill, as amended by the Conference Committee, was repassed and its title was agreed to.

MOTIONS AND RESOLUTIONS - CONTINUED

Without objection, remaining on the Order of Business of Motions and Resolutions, the Senate proceeded to the Order of Business of Introduction and First Reading of Senate Bills.

INTRODUCTION AND FIRST READING OF SENATE BILLS

The following bills were read the first time and referred to the committees indicated.

Mr. Johnson, D.H.; Ms. Higgins, Mr. Ourada and Ms. Hanson introduced--

S.F. No. 1983: A bill for an act relating to financial institutions; limiting fees charged for the use of automated teller machines; amending Minnesota Statutes 1996, sections 47.61, by adding a subdivision; and 47.64, by adding a subdivision.

Referred to the Committee on Commerce.

Ms. Wiener, Mr. Johnson, D.E. and Mrs. Lourey introduced--

S.F. No. 1984: A bill for an act relating to human services; establishing payments for post-kidney transplant maintenance drugs; appropriating money; proposing coding for new law in Minnesota Statutes, chapter 256.

Referred to the Committee on Health and Family Security.

Mr. Moe, R.D. introduced--

S.F. No. 1985: A bill for an act relating to highways; designating the Rudy Perpich Memorial Highway; appropriating money; amending Minnesota Statutes 1996, section 161.14, by adding a subdivision.

Referred to the Committee on Transportation.

Mr. Spear, Mses. Berglin, Flynn, Mr. Pogemiller and Ms. Higgins introduced--

S.F. No. 1986: A bill for an act relating to public administration; providing for completion of the Minneapolis convention center; authorizing state bonds; providing for debt service; authorizing the city to expand the convention center; repealing expenditure limit on original construction; dealing with sales tax in several respects; appropriating money; amending Laws 1986, chapter 396, sections 2, subdivision 1, as amended; and 6; repealing Laws 1986, chapter 396, section 2, subdivision 2.

Referred to the Committee on Jobs, Energy and Community Development.

Ms. Runbeck, Mrs. Scheid and Mr. Hottinger introduced--

S.F. No. 1987: A bill for an act relating to insurance; no-fault auto; limiting recovery by uninsured motorists; proposing coding for new law in Minnesota Statutes, chapter 65B.

Referred to the Committee on Commerce.

Mrs. Scheid, Messrs. Kelley, S.P.; Pogemiller and Ms. Robertson introduced--

S.F. No. 1988: A bill for an act relating to education and public administration; amending metropolitan magnet school grant provisions; authorizing spending to acquire and to better public land and buildings and other public improvements of a capital nature with certain conditions; authorizing issuance of bonds; appropriating money; amending Minnesota Statutes 1996, section 124C.498, subdivisions 2 and 3.

Referred to the Committee on Children, Families and Learning.

Messrs. Novak; Johnson, D.H.; Ms. Johnson, J.B.; Messrs. Limmer and Frederickson introduced--

S.F. No. 1989: A bill for an act relating to utilities; enacting Minnesota responsible electric competition act; proposing coding for new law as Minnesota Statutes, chapter 216E.

Referred to the Committee on Jobs, Energy and Community Development.

Messrs. Knutson, Ten Eyck and Ms. Wiener introduced--

S.F. No. 1990: A bill for an act relating to child support enforcement; providing a lien on certain insurance proceeds; proposing coding for new law in Minnesota Statutes, chapter 60A.

Referred to the Committee on Judiciary.

Messrs. Sams, Solon, Metzen, Larson and Belanger introduced--

S.F. No. 1991: A bill for an act relating to real estate; regulating the right to compensation for a buyer's representative; amending Minnesota Statutes 1996, section 82.196, by adding a subdivision.

Referred to the Committee on Commerce.

Mr. Neuville introduced--

S.F. No. 1992: A bill for an act relating to professions; authorizing the board of electricity to grant rule variances; amending Minnesota Statutes 1996, section 326.241, subdivision 2.

Referred to the Committee on Governmental Operations and Veterans.

Messrs. Dille and Sams introduced--

S.F. No. 1993: A bill for an act relating to taxation; exempting agricultural loans from the mortgage registry tax; amending Minnesota Statutes 1996, section 287.04, by adding a subdivision.

Referred to the Committee on Local and Metropolitan Government.

Ms. Olson, Mmes. Pariseau, Scheid, Ms. Berglin and Mr. Hottinger introduced--

S.F. No. 1994: A bill for an act relating to health; limiting the use of allergenic latex in health care facilities; proposing coding for new law in Minnesota Statutes, chapter 144.

Referred to the Committee on Health and Family Security.

MOTIONS AND RESOLUTIONS - CONTINUED

Mr. Moe, R.D. moved that the names of Messrs. Solon; Johnson, D.J. and Janezich be added as co-authors to S.F. No. 1985. The motion prevailed.

Mr. Moe, R.D. moved that the name of Mr. Pogemiller be added as a co-author to S.F. No. 1985. The motion prevailed.

CALL OF THE SENATE

Mr. Moe, R.D. imposed a call of the Senate. The Sergeant at Arms was instructed to bring in the absent members.

Mr. Moe, R.D. moved that Senate Resolution No. 62 taken from the table. The motion prevailed.

Senate Resolution No. 62: A Senate resolution honoring President Nils Hasselmo for his years of service to the state and the University of Minnesota.

WHEREAS, President Nils Hasselmo has pursued increased excellence throughout his tenure as President of the University of Minnesota; and

WHEREAS, President Hasselmo has been strongly committed to improving the quality of undergraduate education, and his "Undergraduate Initiative" program has increased graduation rates by ten percent from 1986 to 1991; and

WHEREAS, in graduate and professional education, the University of Minnesota continues to rank among the top research universities in the country with distinguished programs in such fields as chemical engineering, geography, psychology, mechanical engineering, economics, and mathematics; and

WHEREAS, President Hasselmo has had a long-standing commitment to creating a diverse campus community and implemented an ambitious five-year plan to bring this to reality; and

WHEREAS, under President Hasselmo's leadership university research, recognized as a vital economic engine for our state, has continued to rank in the top twenty in the nation in federal funding for research and development;

WHEREAS, President Hasselmo has also spent countless hours reaching out to the citizens of Minnesota, engaging in discussions on ways to improve university activities and programs; NOW, THEREFORE,

BE IT RESOLVED by the Senate of the State of Minnesota that it thanks Nils Hasselmo for his years of service to the state and the University of Minnesota.

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 President Nils Hasselmo.

SUSPENSION OF RULES

Mr. Moe, R.D. then moved that Rule 73 be now suspended. The motion prevailed.

Mr. Moe, R.D. then moved that Senate Resolution No. 62 be now adopted. The motion prevailed. So the resolution was adopted.

RECESS

Mr. Moe, R.D. moved that the Senate do now recess until 10:45 a.m. The motion prevailed.

The hour of 10:45 a.m. having arrived, the President called the Senate to order.

CALL OF THE SENATE

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

MOTIONS AND RESOLUTIONS - CONTINUED

Without objection, remaining on the Order of Business of Motions and Resolutions, the Senate reverted to the Orders of Business of Executive and Official Communications and Messages From the House.

EXECUTIVE AND OFFICIAL COMMUNICATIONS

The following communication was received.

May 19, 1997

The Honorable Allan H. Spear
President of the Senate

Dear Sir:

It is my pleasure to enclose herewith the names of all notary commissions in the State of Minnesota issued between January 1, 1996 and the present.

Pursuant to the provisions of Article V, Section 3, of the Minnesota Constitution, I hereby appoint these individuals as notaries public and hereby request the advice and consent of the Senate in those appointments.

Warmest regards,
Arne H. Carlson, Governor

Ms. Junge moved that the appointments of notaries public be laid on the table. The motion prevailed.

MESSAGES FROM THE HOUSE

Mr. President:

I have the honor to announce that the House has adopted the recommendation and report of the Conference Committee on House File No. 117, and repassed said bill in accordance with the report of the Committee, so adopted.

House File No. 117 is herewith transmitted to the Senate.

Edward A. Burdick, Chief Clerk, House of Representatives

Transmitted May 15, 1997

CONFERENCE COMMITTEE REPORT ON 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.

May 12, 1997

The Honorable Phil Carruthers
Speaker of the House of Representatives

The Honorable Allan H. Spear
President of the Senate

We, the undersigned conferees for H.F. No. 117, report that we have agreed upon the items in dispute and recommend as follows:

That the Senate recede from its amendments and that H.F. No. 117 be further amended as follows:

Delete everything after the enacting clause and insert:

"Section 1. Minnesota Statutes 1996, section 171.171, is amended to read:

171.171 [SUSPENSION; ILLEGAL PURCHASE OF ALCOHOLIC BEVERAGES OR TOBACCO PRODUCTS.]

The commissioner shall suspend for a period of 90 days the license of a person who:

(1) is under the age of 21 years and is convicted of purchasing or attempting to purchase an alcoholic beverage in violation of section 340A.503 if the person used a drivers license, permit or Minnesota identification card to purchase or attempt to purchase the alcoholic beverage; or

(2) is convicted under section 171.22, subdivision 1, clause (2), or 340A.503, subdivision 2, clause (3), of lending or knowingly permitting a person under the age of 21 years to use the person's driver's license, permit or Minnesota identification card to purchase or attempt to purchase an alcoholic beverage;

(3) is under the age of 18 years and is found by a court to have committed a petty misdemeanor under section 609.685, subdivision 3, if the person used a driver's license, permit, or Minnesota identification card to purchase or attempt to purchase the tobacco product; or

(4) is convicted under section 171.22, subdivision 1, clause (2), of lending or knowingly permitting a person under the age of 18 years to use the person's driver's license, permit, or Minnesota identification card to purchase or attempt to purchase a tobacco product.

Sec. 2. Minnesota Statutes 1996, section 260.195, subdivision 3, is amended to read:

Subd. 3. [DISPOSITIONS.] If the juvenile court finds that a child is a petty offender, the court may:

- (a) require the child to pay a fine of up to \$100;
- (b) require the child to participate in a community service project;
- (c) require the child to participate in a drug awareness program;
- (d) place the child on probation for up to six months;
- (e) order the child to undergo a chemical dependency evaluation and if warranted by this evaluation, order participation by the child in an outpatient chemical dependency treatment program;
- (f) order the child to make restitution to the victim; or
- (g) perform any other activities or participate in any other outpatient treatment programs deemed appropriate by the court.

In all cases where the juvenile court finds that a child has purchased or attempted to purchase an alcoholic beverage in violation of section 340A.503, if the child has a driver's license or permit to drive, and if the child used a driver's license, permit or Minnesota identification card to purchase or attempt to purchase the alcoholic beverage, the court shall forward its finding in the case and the child's driver's license or permit to the commissioner of public safety. Upon receipt, the commissioner shall suspend the child's license or permit for a period of 90 days.

In all cases where the juvenile court finds that a child has purchased or attempted to purchase tobacco in violation of section 609.685, subdivision 3, if the child has a driver's license or permit to drive, and if the child used a driver's license, permit, or Minnesota identification card to purchase or attempt to purchase tobacco, the court shall forward its finding in the case and the child's driver's license or permit to the commissioner of public safety. Upon receipt, the commissioner shall suspend the child's license or permit for a period of 90 days.

None of the dispositional alternatives described in clauses (a) to (f) shall be imposed by the court in a manner which would cause an undue hardship upon the child.

Sec. 3. Minnesota Statutes 1996, section 260.195, subdivision 3a, is amended to read:

Subd. 3a. [ENHANCED DISPOSITIONS.] If the juvenile court finds that a child has committed a second or subsequent juvenile alcohol or controlled substance offense, the court may impose any of the dispositional alternatives described in paragraphs (a) to (c). If the juvenile court finds that a child has committed a second or subsequent juvenile tobacco offense, the court may impose any of the dispositional alternatives described in paragraphs (a) to (c).

(a) The court may impose any of the dispositional alternatives described in subdivision 3, clauses (a) to (f).

(b) If the adjudicated petty offender has a driver's license or permit, the court may forward the license or permit to the commissioner of public safety. The commissioner shall revoke the petty offender's driver's license or permit until the offender reaches the age of 18 years or for a period of one year, whichever is longer.

(c) If the adjudicated petty offender has a driver's license or permit, the court may suspend the driver's license or permit for a period of up to 90 days, but may allow the offender driving privileges as necessary to travel to and from work.

(d) If the adjudicated petty offender does not have a driver's license or permit, the court may prepare an order of denial of driving privileges. The order must provide that the petty offender will not be granted driving privileges until the offender reaches the age of 18 years or for a period of one year, whichever is longer. The court shall forward the order to the commissioner of public safety. The commissioner shall deny the offender's eligibility for a driver's license under section 171.04, for the period stated in the court order.

Sec. 4. Minnesota Statutes 1996, section 461.12, is amended to read:

461.12 [MUNICIPAL CIGARETTE TOBACCO LICENSE.]

Subdivision 1. [AUTHORIZATION.] The A town board or the governing body of each town and a home rule charter and or statutory city may license and regulate the retail sale at retail of cigarettes, cigarette paper, or cigarette wrappers tobacco as defined in section 609.685, subdivision 1, and fix the establish a license fee for sales to recover the estimated cost of enforcing this chapter. The town or city may charge a uniform annual fee for all sellers or different annual fees for different classes of sellers. It may provide for the punishment of any violation of the regulations, and make other provisions for the regulation of the sale of cigarettes within its jurisdiction as are permitted by law. The county board may make like provisions for licensing and regulating the sale of cigarettes in shall license and regulate the sale of tobacco in unorganized territory. The provisions of this section shall not apply to the licensing of sale of cigarettes in cars of common carriers of the county and in a town or a home rule charter or statutory city if the town or city does not license and regulate retail tobacco sales. Retail establishments licensed by a town or city to sell tobacco are not required to obtain a second license for the same location under the licensing ordinance of the county.

Subd. 2. [ADMINISTRATIVE PENALTIES; LICENSEES.] If a licensee or employee of a licensee sells tobacco to a person under the age of 18 years, or violates any other provision of this chapter, the licensee shall be charged an administrative penalty of \$75. An administrative penalty of \$200 must be imposed for a second violation at the same location within 24 months after the initial violation. For a third violation at the same location within 24 months after the initial violation, an administrative penalty of \$250 must be imposed, and the licensee's authority to sell tobacco at that location must be suspended for not less than seven days. No suspension or penalty may take effect until the licensee has received notice, served personally or by mail, of the alleged violation and an opportunity for a hearing before a person authorized by the licensing authority to conduct the hearing. A decision that a violation has occurred must be in writing.

Subd. 3. [ADMINISTRATIVE PENALTY; INDIVIDUALS.] An individual who sells tobacco to a person under the age of 18 years must be charged an administrative penalty of \$50. No penalty may be imposed until the individual has received notice, served personally or by mail, of the alleged violation and an opportunity for a hearing before a person authorized by the licensing authority to conduct the hearing. A decision that a violation has occurred must be in writing.

Subd. 4. [MINORS.] The licensing authority shall consult with interested educators, parents, children, and representatives of the court system to develop alternative penalties for minors who purchase, possess, and consume tobacco. The licensing authority and the interested persons shall consider a variety of options, including, but not limited to, tobacco free education programs, notice to schools, parents, community service, and other court diversion programs.

Subd. 5. [COMPLIANCE CHECKS.] A licensing authority shall conduct unannounced compliance checks at least once each calendar year at each location where tobacco is sold to test

compliance with section 609.685. Compliance checks must involve minors over the age of 15, but under the age of 18, who, with the prior written consent of a parent or guardian, attempt to purchase tobacco under the direct supervision of a law enforcement officer or an employee of the licensing authority.

Subd. 6. [DEFENSE.] It is an affirmative defense to the charge of selling tobacco to a person under the age of 18 years in violation of subdivision 2 or 3 that the licensee or individual making the sale relied in good faith upon proof of age as described in section 340A.503, subdivision 6.

Subd. 7. [JUDICIAL REVIEW.] Any person aggrieved by a decision under subdivision 2 or 3 may have the decision reviewed in the district court in the same manner and procedure as provided in section 462.361.

Sec. 5. [461.17] [MANUFACTURERS TO REPORT CERTAIN SUBSTANCES TO ASSIST IN ENFORCEMENT OF LOCAL ORDINANCES.]

Subdivision 1. [ANNUAL REPORT REQUIRED.] Each manufacturer of tobacco products sold in Minnesota shall provide the commissioner of health with an annual report, either on paper or by electronic means. The report shall be provided in a form and at a time specified by the commissioner, identifying, for each brand of such product, any of the following substances present in detectable levels in the product in its unburned state and if the product is typically burned when consumed, in its burned state:

- (1) ammonia or any compound of ammonia;
- (2) arsenic;
- (3) cadmium;
- (4) formaldehyde; and
- (5) lead.

The form for annual reports under this section is not a rule for purposes of chapter 14, including section 14.386.

Subd. 2. [ASSISTANCE TO LOCAL GOVERNMENTS.] Upon request, the commissioner shall provide a local government unit with a copy of reports filed under this section, to assist in the enforcement of local ordinances.

Subd. 3. [PUBLIC DATA.] Reports under this section are public data.

Sec. 6. [461.18] [SELF-SERVICE SALES RESTRICTED.]

Subdivision 1. [SELF-SERVICE SALES OF SINGLE PACKAGES RESTRICTED.] (a) No person shall offer for sale single packages of cigarettes or smokeless tobacco in open displays which are accessible to the public without the intervention of a store employee.

(b) Cartons and other multipack units may be offered and sold through open displays accessible to the public.

(c) Paragraph (b) expires on the effective date of subdivision 3.

(d) This subdivision shall not apply to retail stores which derive at least 90 percent of their revenue from tobacco and tobacco-related products and which cannot be entered at any time by persons younger than 18 years of age.

Subd. 2. [VENDING MACHINE SALES PROHIBITED.] No person shall sell tobacco products from vending machines. This subdivision does not apply to vending machines in facilities that cannot be entered at any time by persons younger than 18 years of age.

Subd. 3. [FEDERAL REGULATIONS.] Code of Federal Regulations, title 21, part 897.16(c), is incorporated by reference with respect to cartons and other multipack units.

Sec. 7. [461.19] [EFFECT ON LOCAL ORDINANCE; NOTICE.]

Sections 461.12 to 461.18 do not preempt a local ordinance that provides for more restrictive regulation of tobacco sales. A governing body shall give notice of its intention to consider adoption or substantial amendment of any local ordinance required under section 4 or permitted under this section. The governing body shall take reasonable steps to send notice by mail at least 30 days prior to the meeting to the last known address of each licensee or person required to hold a license under section 4. The notice shall state the time, place, and date of the meeting and the subject matter of the proposed ordinance.

Sec. 8. [REPEALER.]

Minnesota Statutes 1996, section 325E.075, is repealed.

Sec. 9. [EFFECTIVE DATE.]

Section 6, subdivision 3, is effective upon the implementation of Code of Federal Regulations, title 21, part 897.16(c)."

Delete the title and insert:

"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; requiring compliance checks; restricting self-service sales; requiring disclosure of specified substances in tobacco products; prescribing penalties; amending Minnesota Statutes 1996, sections 171.171; 260.195, subdivisions 3 and 3a; and 461.12; proposing coding for new law in Minnesota Statutes, chapter 461; repealing Minnesota Statutes 1996, section 325E.075."

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

House Conferees: (Signed) Ann H. Rest, Matt Entenza, Kevin Goodno

Senate Conferees: (Signed) Ember R. Junge, Edward C. Oliver, Deanna L. Wiener

Ms. Junge moved that the foregoing recommendations and Conference Committee Report on H.F. No. 117 be now adopted, and that the bill be repassed as amended by the Conference Committee.

CALL OF THE SENATE

Ms. Robertson imposed a call of the Senate for the balance of the proceedings on H.F. No. 117. The Sergeant at Arms was instructed to bring in the absent members.

Mr. Lessard moved that the recommendations and Conference Committee Report on H.F. No. 117 be rejected and that the bill be re-referred to the Conference Committee as formerly constituted for further consideration.

The question was taken on the adoption of the motion.

The roll was called, and there were yeas 28 and nays 39, as follows:

Those who voted in the affirmative were:

Beckman	Johnson, D.H.	Metzen	Pariseau	Solon
Berg	Johnson, D.J.	Moe, R.D.	Robertson	Stevens
Day	Kiscaden	Murphy	Runbeck	Stumpf
Fischbach	Lesewski	Neuville	Sams	Vickerman
Hanson	Lessard	Novak	Samuelson	
Janezich	Limmer	Olson	Scheevel	

Those who voted in the negative were:

Anderson	Belanger	Berglin	Betzold	Cohen
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Dille	Johnson, J.B.	Laidig	Ourada	Scheid
Flynn	Junge	Langseth	Pappas	Spear
Foley	Kelley, S.P.	Larson	Piper	Ten Eyck
Frederickson	Kelly, R.C.	Lourey	Pogemiller	Terwilliger
Higgins	Kleis	Marty	Price	Wiener
Hottinger	Knutson	Morse	Ranum	Wiger
Johnson, D.E.	Krentz	Oliver	Robling	

The motion did not prevail.

The question recurred on the adoption of the Junge motion.

The roll was called, and there were yeas 57 and nays 10, as follows:

Those who voted in the affirmative were:

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

Those who voted in the negative were:

Berg	Lesewski	Limmer	Olson	Robertson
Day	Lessard	Neuville	Pariseau	Stevens

The motion prevailed. So the recommendations and Conference Committee report were adopted.

H.F. No. 117 was read the third time, as amended by the Conference Committee, and placed on its repassage.

The question was taken on the repassage of the bill, as amended by the Conference Committee.

The roll was called, and there were yeas 57 and nays 10, as follows:

Those who voted in the affirmative were:

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

Those who voted in the negative were:

Berg	Lesewski	Limmer	Olson	Robertson
Day	Lessard	Neuville	Pariseau	Stevens

So the bill, as amended by the Conference Committee, was repassed and its title was agreed to.

MOTIONS AND RESOLUTIONS - CONTINUED

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

REPORTS OF COMMITTEES

Mr. Johnson, D.J. from the Committee on Taxes, to which was referred the following appointment as reported in the Journal for April 21, 1997:

TAX COURT

Kathleen Doar

Reports the same back with the recommendation that the appointment be confirmed.

Mr. Moe, R.D. moved that the foregoing committee report be laid on the table. The motion prevailed.

MOTIONS AND RESOLUTIONS - CONTINUED

S.F. No. 637 and the Conference Committee Report thereon were reported to the Senate.

CONFERENCE COMMITTEE REPORT ON S.F. NO. 637

A bill for an act relating to retirement; increasing pension benefit accrual rates; adjusting financing for pension plans; adding supplemental financial conditions information for pension funds; reducing appropriations; modifying or establishing various pension aids; appropriating money; amending Minnesota Statutes 1996, sections 3.85, subdivisions 11 and 12; 3A.02, subdivisions 1 and 4; 3A.03, subdivision 1; 3A.07; 11A.18, subdivision 9; 69.011, subdivisions 1, 2, and by adding a subdivision; 69.021, subdivisions 7a and 10; 69.031, subdivision 5; 352.01, subdivision 25; 352.04, subdivisions 2 and 3; 352.115, subdivision 3; 352.72, subdivision 2; 352.92, subdivisions 1 and 2; 352.93, subdivisions 2, 3, and by adding a subdivision; 352.95, subdivisions 1 and 5; 352B.02, subdivisions 1a and 1c; 352B.08, subdivisions 2 and 2a; 352B.10, subdivision 1; 352B.30, by adding a subdivision; 352C.031, subdivision 4; 352C.033; 352D.02, subdivisions 1 and 2; 352D.04, subdivisions 1 and 2; 353.01, subdivision 37; 353.27, subdivisions 2 and 3a; 353.29, subdivision 3; 353.651, subdivision 3; 353.656, subdivision 1; 353.71, subdivision 2; 353A.08, subdivisions 1 and 2; 353A.083, by adding a subdivision; 354.05, subdivision 38; 354.42, subdivisions 2, 3, and 5; 354.44, subdivision 6, and by adding a subdivision; 354.53, subdivision 1; 354.55, subdivision 11; 354A.011, subdivision 15a; 354A.12, subdivisions 1, 2a, 3a, and 3c; 354A.31, subdivisions 4 and 4a; 356.20, subdivision 2; 356.215, subdivisions 2, 4d, and 4g; 356.217; 356.30, subdivisions 1 and 3; 356.32, subdivision 2; 422A.06, subdivision 8; 422A.151; 423B.01, subdivision 9, and by adding a subdivision; 423B.06, by adding a subdivision; 423B.07; 423B.09, subdivision 1, and by adding a subdivision; 423B.10, subdivision 1; 423B.15, subdivisions 2, 3, 6, and by adding a subdivision; 490.123, subdivisions 1a and 1b; and 490.124, subdivisions 1 and 5; Laws 1965, chapter 519, section 1, as amended; Laws 1979, chapter 109, section 1, as amended; Laws 1989, chapter 319, article 19, section 7, subdivisions 1, as amended, 3, 4, as amended, and 7; and Laws 1993, chapter 125, article 1, section 1; proposing coding for new law in Minnesota Statutes, chapters 124; 273; 352; 352C; 354A; 355; and 356; repealing Minnesota Statutes 1996, sections 124.195, subdivision 12; 124.2139; 353C.01; 353C.02; 353C.03; 353C.04; 353C.05; 353C.06; 353C.07; 353C.08; 353C.09; 353C.10; 354A.12, subdivision 2b; 356.70; and 356.88, subdivision 2; and Laws 1985, chapter 259, section 3; and Laws 1993, chapter 336, article 3, section 1.

May 18, 1997

The Honorable Allan H. Spear
President of the Senate

The Honorable Phil Carruthers
Speaker of the House of Representatives

We, the undersigned conferees for S.F. No. 637, report that we have agreed upon the items in dispute and recommend as follows:

That the House recede from its amendments and that S.F. No. 637 be further amended as follows:

Delete everything after the enacting clause and insert:

"ARTICLE 1

PENSION UNIFORMITY PROVISIONS

Section 1. Minnesota Statutes 1996, section 3.85, subdivision 11, is amended to read:

Subd. 11. [VALUATIONS AND REPORTS TO LEGISLATURE.] (a) The commission shall contract with an established actuarial consulting firm to conduct annual actuarial valuations for the retirement plans named in paragraph (b). The contract must include provisions for performing cost analyses of proposals for changes in benefit and funding policies.

(b) The contract for actuarial valuation must include the following retirement plans:

- (1) the teachers retirement plan, teachers retirement association;
- (2) the general state employees retirement plan, Minnesota state retirement system;
- (3) the correctional employees retirement plan, Minnesota state retirement system;
- (4) the state patrol retirement plan, Minnesota state retirement system;
- (5) the judges retirement plan, Minnesota state retirement system;
- (6) the Minneapolis employees retirement plan, Minneapolis employees retirement fund;
- (7) the public employees retirement plan, public employees retirement association;
- (8) the public employees police and fire plan, public employees retirement association;
- (9) the Duluth teachers retirement plan, Duluth teachers retirement fund association;
- (10) the Minneapolis teachers retirement plan, Minneapolis teachers retirement fund association;
- (11) the St. Paul teachers retirement plan, St. Paul teachers retirement fund association;
- (12) the legislators retirement plan, Minnesota state retirement system; and
- (13) the elective state officers retirement plan, Minnesota state retirement system; ~~and~~
- (14) ~~the public employees local government correctional service retirement plan, public employees retirement association, if there are any participants in that plan.~~

(c) The contract must specify completion of annual actuarial valuation calculations on a fiscal year basis with their contents as specified in section 356.215, and the standards for actuarial work adopted by the commission.

The contract must specify completion of annual experience data collection and processing and a quadrennial published experience study for the plans listed in paragraph (b), clauses (1), (2), and (7), as provided for in the standards for actuarial work adopted by the commission. The experience data collection, processing, and analysis must evaluate the following:

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

(d) The actuary retained by the commission shall annually prepare a report to the legislature, including the commentary on the actuarial valuation calculations for the plans named in paragraph (b) and summarizing the results of the actuarial valuation calculations. The commission-retained actuary shall include with the report the actuary's recommendations concerning the appropriateness of the support rates to achieve proper funding of the retirement funds by the required funding dates. The commission-retained actuary shall, as part of the quadrennial published experience study, include recommendations to the legislature on the appropriateness of the actuarial valuation assumptions required for evaluation in the study.

(e) If the actuarial gain and loss analysis in the actuarial valuation calculations indicates a persistent pattern of sizable gains or losses, as directed by the commission, the actuary retained by the commission shall prepare a special experience study for a plan listed in paragraph (b), clause (3), (4), (5), (6), (8), (9), (10), (11), (12), or (13), ~~or (14)~~, in the manner provided for in the standards for actuarial work adopted by the commission.

(f) The term of the contract between the commission and the actuary retained by the commission is two years, plus not to exceed two one-year extensions before competitive bidding. The contract is subject to competitive bidding procedures as specified by the commission.

Sec. 2. Minnesota Statutes 1996, section 3.85, subdivision 12, is amended to read:

Subd. 12. [ALLOCATION OF ACTUARIAL COST.] (a) The commission shall assess each retirement plan specified in subdivision 11, paragraph (b), the compensation paid to the actuary retained by the commission for the actuarial valuation calculations, quadrennial projection valuations, and quadrennial experience studies. The assessment is 100 percent of the amount of contract compensation for the actuarial consulting firm retained by the commission for actuarial valuation calculations, including the public employees police and fire plan consolidation accounts of the public employees retirement association, annual experience data collection and processing, and quadrennial experience studies.

The portion of the total assessment payable by each retirement system or pension plan must be determined as follows:

(1) Each pension plan specified in subdivision 11, paragraph (b), clauses (1) to ~~(14)~~ (13), must pay the following indexed amount based on its total active, deferred, inactive, and benefit recipient membership:

up to 2,000 members, inclusive	\$2.55 per member
2,001 through 10,000 members	\$1.13 per member
over 10,000 members	\$0.11 per member

The amount specified is applicable for the assessment of the July 1, 1991, to June 30, 1992, fiscal year actuarial compensation amounts. For the July 1, 1992, to June 30, 1993, fiscal year and subsequent fiscal year actuarial compensation amounts, the amount specified must be increased at the same percentage increase rate as the implicit price deflator for state and local government purchases of goods and services for the 12-month period ending with the first quarter of the calendar year following the completion date for the actuarial valuation calculations, as published by the federal Department of Commerce, and rounded upward to the nearest full cent.

(2) The total per-member portion of the allocation must be determined, and that total per-member amount must be subtracted from the total amount for allocation. Of the remainder dollar amount, the following per-retirement system and per-pension plan charges must be determined and the charges must be paid by the system or plan:

(i) 37.87 percent is the total additional per-retirement system charge, of which one-seventh must be paid by each retirement system specified in subdivision 11, paragraph (b), clauses (1), (2), (6), (7), (9), (10), and (11).

(ii) 62.13 percent is the total additional per-pension plan charge, of which one-thirteenth must be paid by each pension plan specified in subdivision 11, paragraph (b), clauses (1) to (13), if there are not any participants in the plan specified in subdivision 11, paragraph (b), clause (14), or of which one-fourteenth must be paid by each pension plan specified in subdivision 11, paragraph (b), clauses (1) to (14), if there are participants in the plan specified in subdivision 11, paragraph (b), clause (14).

(b) The assessment must be made following the completion of the actuarial valuation calculations and the experience analysis. The amount of the assessment is appropriated from the retirement fund applicable to the retirement plan. Receipts from assessments must be deposited in the state treasury and credited to the general fund.

Sec. 3. Minnesota Statutes 1996, section 3A.02, subdivision 1, is amended to read:

Subdivision 1. [QUALIFICATIONS.] (a) A former legislator is entitled, upon written application to the director, to receive a retirement allowance monthly, if the person:

(1) has served at least six full years, without regard to the application of section 3A.10, subdivision 2, or has served during all or part of four regular sessions as a member of the legislature, which service need not be continuous;

(2) has attained the normal retirement age;

(3) has retired as a member of the legislature; and

(4) has made all contributions provided for in section 3A.03, has made payments for past service under subdivision 2, or has made payments in lieu of contributions under Minnesota Statutes 1992, section 3A.031, prior to July 1, 1994.

(b) This paragraph applies to members of the legislature who terminate service as a legislator before July 1, 1997. For service rendered before the beginning of the 1979 legislative session, but not to exceed eight years of service, the retirement allowance is an amount equal to five percent per year of service of that member's average monthly salary. For service in excess of eight years rendered before the beginning of the 1979 legislative session, and for service rendered after the beginning of the 1979 legislative session, the retirement allowance is an amount equal to 2-1/2 percent per year of service of that member's average monthly salary.

(c) This paragraph applies to members of the legislature who terminate service as a legislator after June 30, 1997. The retirement allowance is an amount equal to the applicable rate or rates under paragraph (b) per year of service of the member's average monthly salary adjusted for that person on an actuarial equivalent basis to reflect the change in the postretirement interest rate actuarial assumption under section 356.215, subdivision 4d, from five percent to six percent. The adjustment must be calculated by or, alternatively, the adjustment procedure must be specified by, the actuary retained by the legislative commission on pensions and retirement. The purpose of this adjustment is to ensure that the total amount of benefits that the actuary predicts an individual member will receive over the member's lifetime under this paragraph will be the same as the total amount of benefits the actuary predicts the individual member would receive over the member's lifetime under the law in effect before enactment of this paragraph.

(d) The retirement allowance accrues beginning with the first day of the month of receipt of the application, but not before age 60, and for the remainder of the former legislator's life, if the former legislator is not serving as a member of the legislature or as a constitutional officer or

commissioner as defined in section 352C.021, subdivisions 2 and 3. The annuity ~~shall~~ does not begin to accrue prior to retirement as a legislator. No annuity payment ~~shall~~ may be made retroactive for more than 180 days before the date the annuity application is filed with the director.

~~(d)~~ (e) Any member who has served during all or part of four regular sessions is considered to have served eight years as a member of the legislature.

~~(e)~~ (f) The retirement allowance ceases with the last payment that accrued to the retired legislator during the retired legislator's lifetime, except that the surviving spouse, if any, is entitled to the retirement allowance for the calendar month in which the retired legislator died.

Sec. 4. Minnesota Statutes 1996, section 3A.02, subdivision 4, is amended to read:

Subd. 4. [DEFERRED ANNUITIES AUGMENTATION.] (a) The deferred annuity of any former legislator ~~shall~~ must be augmented as provided herein. The required reserves applicable to the deferred annuity, determined as of the date the benefit begins to accrue using an appropriate mortality table and an interest assumption of five ~~six~~ percent, ~~shall~~ must be augmented from the first of the month following termination of service, or July 1, 1973, whichever is later, to the first day of the month in which the annuity begins to accrue, at the rate of five percent per annum compounded annually until January 1, 1981, and thereafter at the rate of three percent per annum compounded annually until January 1 of the year in which the former legislator attains age 55. From that date to the effective date of retirement, the rate is five percent compounded annually.

(b) The retirement allowance of, or the survivor benefit payable on behalf of, a former member of the legislature who terminated service before July 1, 1997, which is not first payable until after June 30, 1997, must be increased on an actuarial equivalent basis to reflect the change in the postretirement interest rate actuarial assumption under section 356.215, subdivision 4d, from five percent to six percent under a calculation procedure and tables adopted by the board of directors of the Minnesota state retirement system and approved by the actuary retained by the legislative commission on pensions and retirement.

Sec. 5. Minnesota Statutes 1996, section 11A.18, subdivision 9, is amended to read:

Subd. 9. [CALCULATION OF POSTRETIREMENT ADJUSTMENT.] (a) Annually, following June 30, the state board shall use the procedures in paragraphs (b), (c), and (d) to determine whether a postretirement adjustment is payable and to determine the amount of any postretirement adjustment.

(b) If the Consumer Price Index for urban wage earners and clerical workers all items index published by the Bureau of Labor Statistics of the United States Department of Labor increases from June 30 of the preceding year to June 30 of the current year, the state board shall certify the percentage increase. The amount certified ~~may~~ must not exceed the lesser of the difference between the preretirement interest assumption and postretirement interest assumption in section 356.215, subdivision 4d, paragraph (a), or 3.5 ~~2.5~~ percent. For the Minneapolis employees retirement fund, the amount certified must not exceed 3.5 percent.

(c) In addition to any percentage increase certified under paragraph (b), the board shall use the following procedures to determine if a postretirement adjustment is payable under this paragraph:

(1) The state board shall determine the market value of the fund on June 30 of that year;

(2) The amount of reserves required for the annuity or benefit payable to an annuitant and benefit recipient of the participating public pension plans or funds ~~shall~~ must be determined by the commission-retained actuary as of the current June 30. An annuitant or benefit recipient who has been receiving an annuity or benefit for at least 12 full months as of the current June 30 is eligible to receive a full postretirement adjustment. An annuitant or benefit recipient who has been receiving an annuity or benefit for at least one full month, but less than 12 full months as of the current June 30, is eligible to receive a partial postretirement adjustment. Each fund shall report separately the amount of the reserves for those annuitants and benefit recipients who are eligible to receive a full postretirement benefit adjustment. This amount is known as "eligible reserves." Each fund shall also report separately the amount of the reserves for those annuitants and benefit

recipients who are not eligible to receive a postretirement adjustment. This amount is known as "noneligible reserves." For an annuitant or benefit recipient who is eligible to receive a partial postretirement adjustment, each fund shall report separately as additional "eligible reserves" an amount that bears the same ratio to the total reserves required for the annuitant or benefit recipient as the number of full months of annuity or benefit receipt as of the current June 30 bears to 12 full months. The remainder of the annuitant's or benefit recipient's reserves shall must be separately reported as additional "noneligible reserves." The amount of "eligible" and "noneligible" required reserves shall must be certified to the board by the commission-retained actuary as soon as is practical following the current June 30;

(3) The state board shall determine the percentage increase certified under paragraph (b) multiplied by the eligible required reserves, as adjusted for mortality gains and losses under subdivision 11, determined under clause (2);

(4) The state board shall add the amount of reserves required for the annuities or benefits payable to annuitants and benefit recipients of the participating public pension plans or funds as of the current June 30 to the amount determined under clause (3);

(5) The state board shall subtract the amount determined under clause (4) from the market value of the fund determined under clause (1);

(6) The state board shall adjust the amount determined under clause (5) by the cumulative current balance determined pursuant to clause (8) and any negative balance carried forward under clause (9);

(7) A positive amount resulting from the calculations in clauses (1) to (6) is the excess market value. A negative amount is the negative balance;

(8) The state board shall allocate one-fifth of the excess market value or one-fifth of the negative balance to each of five consecutive years, beginning with the fiscal year ending the current June 30; and

(9) To calculate the postretirement adjustment under this paragraph based on investment performance for a fiscal year, the state board shall add together all excess market value allocated to that year and subtract from the sum all negative balances allocated to that year. If this calculation results in a negative number, the entire negative balance must be carried forward and allocated to the next year. If the resulting amount is positive, a postretirement adjustment is payable under this paragraph. The board shall express a positive amount as a percentage of the total eligible required reserves certified to the board under clause (2).

(d) The state board shall determine the amount of any postretirement adjustment which is payable using the following procedure:

(1) The total "eligible" required reserves as of the first of January next following the end of the fiscal year for the annuitants and benefit recipients eligible to receive a full or partial postretirement adjustment as determined by clause (2) shall must be certified to the state board by the commission-retained actuary. The total "eligible" required reserves shall must be determined by the commission-retained actuary on the assumption that all annuitants and benefit recipients eligible to receive a full or partial postretirement adjustment will be alive on the January 1 in question; and

(2) The state board shall add the percentage certified under paragraph (b) to any positive percentage calculated under paragraph (c). The board shall not subtract from the percentage certified under paragraph (b) any negative amount calculated under paragraph (c). The sum of these percentages shall must be carried to five decimal places and shall must be certified to each participating public pension fund or plan as the full postretirement adjustment percentage.

(e) A retirement annuity payable in the event of retirement before becoming eligible for social security benefits as provided in section 352.116, subdivision 3; 353.29, subdivision 6; or 354.35 must be treated as the sum of a period certain retirement annuity and a life retirement annuity for the purposes of any postretirement adjustment. The period certain retirement annuity plus the life

retirement annuity shall must be the annuity amount payable until age 62 or 65, whichever applies. A postretirement adjustment granted on the period certain retirement annuity must terminate when the period certain retirement annuity terminates.

Sec. 6. Minnesota Statutes 1996, section 69.011, subdivision 1, is amended to read:

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

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

(b) "Municipality" means any home rule charter or statutory city, organized town or park district subject to chapter 398, the University of Minnesota, and, for purposes of the fire state aid program only, an American Indian tribal government entity located within a federally recognized American Indian reservation, and, for purposes of the police state aid program only, the metropolitan airports commission, with respect to employees peace officers covered under chapter 422A, or the department of natural resources and the department of public safety with respect to peace officers covered under chapter 352B.

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

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

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

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

(g) "Peace officer" means any person:

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

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

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

(4) who is licensed by the peace officers standards and training board and is authorized to arrest with a warrant; and

(5) who is a member of a local police relief association to which section 69.77 applies, the state patrol retirement plan, the public employees police and fire fund, or the Minneapolis employees retirement fund.

(h) "Full-time equivalent number of peace officers providing contract service" means the

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

(i) "Retirement benefits other than a service pension" means any disbursement authorized under section 424A.05, subdivision 3, clauses (2), (3) and (4).

(j) "Municipal clerk, municipal clerk-treasurer or county auditor" means the person who was elected or appointed to the specified position or, in the absence of the person, another person who is designated by the applicable governing body. In a park district the clerk is the secretary of the board of park district commissioners. In the case of the University of Minnesota, the clerk is that official designated by the board of regents. For the metropolitan airports commission, the clerk is the person designated by the commission. For the department of natural resources or the department of public safety, the clerk is the respective commissioner.

Sec. 7. Minnesota Statutes 1996, section 69.011, subdivision 2, is amended to read:

Subd. 2. [QUALIFICATION FOR FIRE OR POLICE STATE AID.] (a) In order to qualify to receive fire state aid, on or before March 15 annually, in conjunction with the financial report required pursuant to section 69.051, the clerk of each municipality having a duly organized fire department as provided in subdivision 4, or the secretary of each independent nonprofit firefighting corporation having a subsidiary incorporated firefighters' relief association whichever is applicable, and the fire chief, shall jointly certify the existence of the municipal fire department or of the independent nonprofit firefighting corporation, whichever is applicable, which meets the minimum qualification requirements set forth in this subdivision, and the fire personnel and equipment of the municipal fire department or the independent nonprofit firefighting corporation as of the preceding December 31. Certification shall be made to the commissioner on a form prescribed by the commissioner and shall include any other facts the commissioner may require. The certification shall be made to the commissioner in duplicate. Each copy of the certificate shall be duly executed and deemed an original. The commissioner shall forward one copy to the auditor of the county wherein the fire department is located and retain one copy.

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

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

Sec. 8. Minnesota Statutes 1996, section 69.011, is amended by adding a subdivision to read:

Subd. 2b. [DEPARTMENTS OF NATURAL RESOURCES AND PUBLIC SAFETY.] (a) On or before July 1, 1997, the commissioner of natural resources shall certify one-half of the number of peace officers as defined in subdivision 1, clause (g), employed by the enforcement division during calendar year 1996 and the commissioner of public safety shall certify one-half of the number of peace officers as defined in subdivision 1, clause (g), employed by the bureau of criminal apprehension, the gambling enforcement division, and the state patrol division during calendar year 1996.

(b) On or before March 15, 1998, the commissioner of natural resources shall certify seven-tenths of the number of peace officers as defined in subdivision 1, clause (g), employed by the enforcement division and the commissioner of public safety shall certify seven-tenths of the number of peace officers as defined in subdivision 1, clause (g), employed by the bureau of criminal apprehension, the gambling enforcement division, and the state patrol division.

(c) On or before March 15, 1999, and annually on or before March 15, thereafter, the commissioner of natural resources shall certify the number of peace officers as defined in subdivision 1, clause (g), employed by the enforcement division and the commissioner of public safety shall certify the number of peace officers as defined in subdivision 1, clause (g), employed by the bureau of criminal apprehension, the gambling enforcement division, and the state patrol division.

(d) The certification must be on a form prescribed by the commissioner. Peace officers certified under this paragraph must be included in the total certifications under subdivision 2.

Sec. 9. Minnesota Statutes 1996, section 69.021, subdivision 5, is amended to read:

Subd. 5. [CALCULATION OF STATE AID.] (a) The amount of fire state aid available for apportionment shall be equal to 107 percent of the amount of premium taxes paid to the state upon the fire, lightning, sprinkler leakage, and extended coverage premiums reported to the commissioner by insurers on the Minnesota Firetown Premium Report. This amount shall be reduced by the amount required to pay the state auditor's costs and expenses of the audits or exams of the firefighters relief associations.

(b) The total amount for apportionment in respect to peace officer state aid is equal to 104 percent of the amount of premium taxes paid to the state upon the premiums reported to the commissioner by insurers on the Minnesota Aid to Police Premium Report, plus the payment amounts received under section 60A.152 since the last aid apportionment, and reduced by the amount required to pay the state auditor's costs and expenses of the audits or exams of the police relief associations. The total amount for apportionment in respect to firefighters state aid shall not be less than two percent of the premiums reported to the commissioner by insurers on the Minnesota Firetown Premium Report after subtracting (1) the amount required to pay the state auditor's costs and expenses of the audits or exams of the firefighters relief associations, and (2) one percent of the premiums reported by town and farmers' mutual insurance companies and mutual property and casualty companies with total assets of \$5,000,000 or less. The total amount for apportionment in respect to the police state aid program shall not be less than two percent of the amount of premiums reported to the commissioner by insurers on the Minnesota Aid to Police Premium Report after subtracting the amount required to pay the state auditor's cost and expenses of the audits or exams of the police relief associations. The commissioner shall calculate the percentage of increase or decrease reflected in the apportionment over or under the previous year's available state aid using the same premiums as a basis for comparison.

(c) The amount for apportionment in respect to peace officer state aid under paragraph (b) must be further reduced by \$1,779,000 in fiscal year 1999, \$2,077,000 in fiscal year 2000, and \$2,404,000 in fiscal year 2001. These reductions in this paragraph cancel to the general fund.

Sec. 10. Minnesota Statutes 1996, section 69.021, subdivision 7a, is amended to read:

Subd. 7a. [APPORTIONMENT OF POLICE STATE AID.] (a) The commissioner shall apportion the state peace officer aid to each municipality and to the county in the following manner:

(1) for all municipalities maintaining police departments ~~and the county, counties, the department of natural resources, and the department of public safety,~~ the police state aid must be distributed in proportion to the total number of peace officers, as determined under section 69.011, subdivision 1, clause (g), and subdivision 2, clause (b), employed by each ~~municipality and by the county~~ employing unit for 12 calendar months and the proportional or fractional number who were employed less than 12 months;

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

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

(b) No municipality entitled to receive state peace officer aid may be apportioned less state peace officer aid for any year under Laws 1976, chapter 315, than the amount which was apportioned to it for calendar year 1975 based on premiums reported to the commissioner for calendar year 1974; provided, the amount of state peace officer aid to other municipalities within the county and to the county must be adjusted in proportion to the total number of peace officers in the municipalities and the county, so that the amount of state peace officer aid apportioned does not exceed the amount of state peace officer aid available for apportionment.

Sec. 11. Minnesota Statutes 1996, section 69.021, subdivision 10, is amended to read:

Subd. 10. [REDUCTION IN POLICE STATE AID APPORTIONMENT.] (a) The commissioner of revenue shall reduce the apportionment of police state aid under subdivisions 5, paragraph (b), 6, and 7 7a, for eligible employer units by any excess police state aid.

(b) "Excess police state aid" is:

(1) for counties and for municipalities in which police retirement coverage is provided wholly by the public employees police and fire fund and all police officers are members of the plan governed by sections 353.63 to 353.657, the amount in excess of the employer's total prior calendar year obligation under section 353.65, as defined in paragraph (c), as certified by the executive director of the public employees retirement association;

(2) for municipalities in which police retirement coverage is provided in part by the public employees police and fire fund governed by sections 353.63 to 353.657 and in part by a local police consolidation account governed by chapter 353A, the amount in excess of the employer's total prior calendar year obligation as defined in paragraph (c), as certified by the executive director of the public employees retirement association;

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

(4) for the metropolitan airports commission, if there are police officers hired before July 1, 1978, with retirement coverage by the Minneapolis employees retirement fund remaining, the amount in excess of the commission's total prior calendar year obligation as defined in paragraph (c), as certified by the executive director of the public employees retirement association, plus the amount determined by expressing the commission's total prior calendar year contribution to the Minneapolis employees retirement fund under section 422A.101, subdivisions 2 and 2a, as a percentage of the commission's total prior calendar year covered payroll for commission employees covered by the Minneapolis employees retirement fund and applying that percentage to the commission's total prior calendar year covered payroll for commission police officers covered by the Minneapolis employees retirement fund, as certified by the chief administrative officer of the metropolitan airports commission; and

(5) for the department of natural resources and for the department of public safety, the amount in excess of the employer's total prior calendar year obligation under section 352B.02, subdivision 1c, for plan members who are peace officers under section 69.011, subdivision 1, clause (g), as certified by the executive director of the Minnesota state retirement system.

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

<u>municipality</u>	<u>maximum amount</u>
<u>Albert Lea</u>	<u>\$54,157.01</u>
<u>Anoka</u>	<u>10,399.31</u>
<u>Apple Valley</u>	<u>5,442.44</u>
<u>Austin</u>	<u>49,864.73</u>
<u>Bemidji</u>	<u>27,671.38</u>
<u>Brooklyn Center</u>	<u>6,605.92</u>
<u>Brooklyn Park</u>	<u>24,002.26</u>
<u>Burnsville</u>	<u>15,956.00</u>
<u>Cloquet</u>	<u>4,260.49</u>
<u>Coon Rapids</u>	<u>39,920.00</u>
<u>Cottage Grove</u>	<u>8,588.48</u>
<u>Crystal</u>	<u>5,855.00</u>
<u>East Grand Forks</u>	<u>51,009.88</u>
<u>Edina</u>	<u>32,251.00</u>
<u>Elk River</u>	<u>5,216.55</u>
<u>Ely</u>	<u>13,584.16</u>
<u>Eveleth</u>	<u>16,288.27</u>
<u>Fergus Falls</u>	<u>6,742.00</u>
<u>Fridley</u>	<u>33,420.64</u>
<u>Golden Valley</u>	<u>11,744.61</u>
<u>Hastings</u>	<u>16,561.00</u>
<u>Hopkins</u>	<u>4,324.23</u>
<u>International Falls</u>	<u>14,400.69</u>
<u>Lakeville</u>	<u>782.35</u>
<u>Lino Lakes</u>	<u>5,324.00</u>
<u>Little Falls</u>	<u>7,889.41</u>
<u>Maple Grove</u>	<u>6,707.54</u>
<u>Maplewood</u>	<u>8,476.69</u>
<u>Minnetonka</u>	<u>10,403.00</u>
<u>Montevideo</u>	<u>1,307.66</u>

<u>Moorhead</u>	68,069.26
<u>New Hope</u>	6,739.72
<u>North St. Paul</u>	4,241.14
<u>Northfield</u>	770.63
<u>Owatonna</u>	37,292.67
<u>Plymouth</u>	6,754.71
<u>Red Wing</u>	3,504.01
<u>Richfield</u>	53,757.96
<u>Rosemount</u>	1,712.55
<u>Roseville</u>	9,854.51
<u>St. Anthony</u>	33,055.00
<u>St. Louis Park</u>	53,643.11
<u>Thief River Falls</u>	28,365.04
<u>Virginia</u>	31,164.46
<u>Waseca</u>	11,135.17
<u>West St. Paul</u>	15,707.20
<u>White Bear Lake</u>	6,521.04
<u>Woodbury</u>	3,613.00
<u>any other municipality</u>	0.00

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

Sec. 12. Minnesota Statutes 1996, section 69.021, subdivision 11, is amended to read:

Subd. 11. [EXCESS POLICE STATE-AID HOLDING ACCOUNT.] (a) An excess police state-aid holding account is established in the general fund.

(b) Excess police state aid determined according to section 69.021, subdivision 10, must be deposited in the excess police state-aid holding account.

(c) From the balance in the excess police state-aid holding account, \$1,000,000 must be transferred annually to the ambulance service personnel longevity award and incentive suspense account established by section 144C.03, subdivision 2.

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

(e) On October 1, 1997, and ~~annually on each October 1~~, on October 1, 2001, and annually on October 1 thereafter, one-half of the balance of the excess police state-aid holding account remaining after deductions under paragraphs (c) and (d) is appropriated for additional amortization aid under section 423A.02, subdivision 1b.

(f) On October 1, 1998, and annually each October 1 in 1999 and 2000, the entire balance of the excess police state-aid holding account remaining after transfers under paragraphs (c) and (d) is appropriated for additional amortization aid under section 423A.02, subdivision 1b.

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

Sec. 13. Minnesota Statutes 1996, section 69.031, subdivision 5, is amended to read:

Subd. 5. [DEPOSIT OF STATE AID.] (4) (a) The municipal treasurer, on receiving the fire state aid, shall within 30 days after receipt transmit it to the treasurer of the duly incorporated firefighters' relief association if there is one organized and the association has filed a financial report with the municipality; but if there is no relief association organized, or if any association dissolve, be removed, or has heretofore dissolved, or has been removed as trustees of state aid, then the treasurer of the municipality shall keep the money in the municipal treasury as provided for in section 424A.08 and shall be disbursed only for the purposes and in the manner set forth in that section.

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

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

(b) (2) For a municipality in which police retirement coverage is provided by the public employees police and fire fund and all peace officers are members of the fund, the total state aid shall be applied toward the municipality's employer contribution to the public employees police and fire fund pursuant to section 353.65, subdivision 3; or

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

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

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

(4) (d) The designated metropolitan airports commission official, upon receipt of the police state aid for the metropolitan airports commission, shall apply the total police state aid toward the commission's employer contribution to the Minneapolis employees retirement fund under section 422A.101, subdivision 2a.

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

officers whose salaries are paid from the general fund, the amounts transferred from the appropriation for police state aid must be canceled to the general fund.

Sec. 14. [124.2141] [AID ADJUSTMENTS DUE TO CHANGES IN EMPLOYER RETIREMENT CONTRIBUTION RATES.]

Subdivision 1. [AID ADJUSTMENT.] Beginning in fiscal year 1998 and each year thereafter, the commissioner of children, families, and learning shall adjust state aid payments to school operating funds for independent school district No. 625, independent school district No. 709 and special school district No. 1, by the net amount of clauses (1) and (2) and for all other districts, including charter schools, but excluding any education organizations that are prohibited from receiving direct state aids under section 124.193 or 124.32, subdivision 12, by the net amount of clauses (1), (2) and (3):

(1) a decrease equal to each district's share of the fiscal year 1997 adjustment effected under Minnesota Statutes 1996, section 124.2139;

(2) an increase equal to one percent of the salaries paid to members of the general plan of the public employees retirement association in fiscal year 1997, multiplied by 0.35 for fiscal year 1998 and 0.70 each year thereafter;

(3) a decrease equal to 2.34 percent of the salaries paid to members of the teachers retirement association in fiscal year 1997.

Subd. 2. [APPROPRIATION AND ESTIMATED NET SAVINGS.] The amounts necessary to pay any positive net adjustments under this section to any school district are appropriated annually from the general fund to the commissioner of children, families, and learning. The estimated net general fund savings under this section is \$29,819,000 in fiscal year 1998, and \$26,997,000 in each fiscal year thereafter.

Subd. 3. [LIMITS ON ADJUSTMENTS AND POTENTIAL REDUCTIONS.] Increases to any school districts under subdivision 1, clause (2), and decreases under subdivision 1, clauses (1) and (3), are limited to the fiscal year 1999 amounts. The commissioner of children, families, and learning may permanently reduce the adjustments to school districts under subdivision 1, clauses (1) and (2), in the same manner as prescribed for nonschool jurisdictions under section 273.13985, subdivision 2. The commissioner may, from time to time, require that the most recent fiscal year payroll information be certified by the executive director of the teachers retirement association. For any school district where the newly certified teachers retirement association payroll is significantly lower than the fiscal 1997 amount as determined by the commissioner, the commissioner shall recalculate the lower reduction under subdivision 1, clause (3), and shall permanently reduce the adjustment amount in subsequent years.

Subd. 4. [EFFECT OF REORGANIZATIONS.] The commissioner of children, families, and learning shall reapportion the aid adjustments to school districts under this section to account for significant changes in boundaries or consolidations, as determined by the commissioner. If a school district is dissolved, or a school district function thereof is assumed by either the state or a nonpublic organization, adjustments for all or the appropriate fraction of the total payroll under this section must terminate.

Subd. 5. [ADJUSTMENT TERMINATION.] All adjustments under this section terminate on June 30, 2020.

Sec. 15. [273.1385] [AID FOR PUBLIC EMPLOYEES RETIREMENT ASSOCIATION EMPLOYER CONTRIBUTION RATE INCREASE.]

Subdivision 1. [AID TO OFFSET RATE INCREASE.] Beginning with the December 26, 1997, payment, and according to the schedule for payment of local aid under section 477A.015 thereafter, the commissioner of revenue shall pay to each city, county, town, and other nonschool jurisdiction an amount equal to 0.35 percent of the fiscal year 1997 payroll for employees who were members of the general plan of the public employees retirement association. Except for the December 1997 distribution under this section, the amount of aid must be certified before

September 1 of the year preceding the distribution year to the affected local government. The executive director of the public employees retirement association shall certify the general plan fiscal year covered payroll and other information requested by the commissioner of revenue, on or before August 1, 1997, and in subsequent years where necessary, in order to facilitate administration of this section. The amount necessary to make these aid payments is appropriated annually from the general fund to the commissioner of revenue. Expenditures under this section are estimated to be \$7,942,500 in fiscal year 1998, and \$15,885,000 in each subsequent fiscal year, less any future reductions under subdivision 2.

Subd. 2. [LIMIT ON AID AND POTENTIAL FUTURE PERMANENT AID REDUCTIONS.] The aid amount received by any jurisdiction in fiscal year 2000 or any year thereafter may not exceed the amount it received in fiscal year 1999. The commissioner may, from time to time, request the most recent fiscal year payroll information by jurisdiction to be certified by the executive director of the public employees retirement association. For any jurisdiction where newly certified public employees retirement association general plan payroll is significantly lower than the fiscal 1997 amount, as determined by the commissioner, the commissioner shall recalculate the aid amount based on the most recent fiscal year payroll information, certify the recalculated aid amount for the next distribution year, and permanently reduce the aid amount to that jurisdiction.

Subd. 3. [EFFECT OF REORGANIZATIONS.] The commissioner of revenue may adjust the aid amounts for separate jurisdictions to account for significant changes in boundaries or in the form of government, as determined by the commissioner. If a local government function and the associated public employees retirement association general plan payroll is assumed by either the state, or a nonpublic organization, the aid amounts attributable to the function under this section must terminate.

Subd. 4. [AID TERMINATION.] The aid provided under this section terminates on June 30, 2020.

Sec. 16. Minnesota Statutes 1996, section 352.01, subdivision 25, is amended to read:

Subd. 25. [NORMAL RETIREMENT AGE.] "Normal retirement age" means age 65 for a person who first became a covered employee or a member of a pension fund listed in section 356.30, subdivision 3, before July 1, 1989. For a person who first becomes a covered employee after June 30, 1989, normal retirement age means the higher of age 65 or "retirement age," as defined in United States Code, title 42, section 416(l), as amended, but not to exceed age 66.

Sec. 17. Minnesota Statutes 1996, section 352.04, subdivision 2, is amended to read:

Subd. 2. [EMPLOYEE CONTRIBUTIONS.] The employee contribution to the fund must be equal to 4.07 4.0 percent of salary. These contributions must be made by deduction from salary as provided in subdivision 4.

Sec. 18. Minnesota Statutes 1996, section 352.04, subdivision 3, is amended to read:

Subd. 3. [EMPLOYER CONTRIBUTIONS.] (a) The employer contribution to the fund must be equal to 4.2 4.0 percent of salary.

~~(b) By January 1 of each year, the board of directors shall report to the legislative commission on pensions and retirement, the chair of the committee on appropriations of the house of representatives, and the chair of the committee on finance of the senate on the amount raised by the employer and employee contribution rates in effect and whether the total amount is less than, the same as, or more than the actuarial requirement determined under section 356.215.~~

~~(c) If the legislative commission on pensions and retirement, based on the most recent valuation performed by its actuary, determines that the total amount raised by the employer and employee contributions under subdivision 2 and paragraph (b) is less than the actuarial requirements determined under section 356.215, the employer and employee rates must be increased by equal amounts as necessary to meet the actuarial requirements. The employee rate may not exceed 4.15 percent of salary and the employer rate may not exceed 4.29 percent of salary. The increases are~~

~~effective on the next January 1 following the determination by the commission. The executive director of the Minnesota state retirement system shall notify employing units of any increases under this paragraph.~~

Sec. 19. Minnesota Statutes 1996, section 352.115, subdivision 3, is amended to read:

Subd. 3. [RETIREMENT ANNUITY FORMULA.] (a) This paragraph, in conjunction with section 352.116, subdivision 1, applies to a person who became a covered employee or a member of a pension fund listed in section 356.30, subdivision 3, before July 1, 1989, unless paragraph (b), in conjunction with section 352.116, subdivision 1a, produces a higher annuity amount, in which case paragraph (b) will apply. The employee's average salary, as defined in subdivision 2, multiplied by ~~one~~ the percent specified in section 356.19, subdivision 1, per year of allowable service for the first ten years and ~~1.5~~ the percent specified in section 356.19, subdivision 2, for each later year of allowable service and pro rata for completed months less than a full year shall determine the amount of the retirement annuity to which the employee is entitled.

(b) This paragraph applies to a person who has become at least 55 years old and first became a covered employee after June 30, 1989, and to any other covered employee who has become at least 55 years old and whose annuity amount, when calculated under this paragraph and in conjunction with section 352.116, subdivision 1a, is higher than it is when calculated under paragraph (a), in conjunction with section 352.116, subdivision 1. The employee's average salary, as defined in subdivision 2, multiplied by ~~1.5~~ the percent specified in section 356.19, subdivision 2, for each year of allowable service and pro rata for months less than a full year shall determine the amount of the retirement annuity to which the employee is entitled.

Sec. 20. Minnesota Statutes 1996, section 352.72, subdivision 2, is amended to read:

Subd. 2. [COMPUTATION OF DEFERRED ANNUITY.] (a) The deferred annuity, if any, accruing under subdivision 1, or section 352.22, subdivision 3, must be computed as provided in section 352.22, subdivision 3, on the basis of allowable service before termination of state service and augmented as provided herein. The required reserves applicable to a deferred annuity or to an annuity for which a former employee was eligible but had not applied or to any deferred segment of an annuity must be determined as of the date the benefit begins to accrue and augmented by interest compounded annually from the first day of the month following the month in which the employee ceased to be a state employee, or July 1, 1971, whichever is later, to the first day of the month in which the annuity begins to accrue. The rates of interest used for this purpose must be five percent compounded annually until January 1, 1981, and three percent compounded annually thereafter until January 1 of the year following the year in which the former employee attains age 55. From that date to the effective date of retirement, the rate is five percent compounded annually. If a person has more than one period of uninterrupted service, the required reserves related to each period must be augmented by interest under this subdivision. The sum of the augmented required reserves so determined is the present value of the annuity. "Uninterrupted service" for the purpose of this subdivision means periods of covered employment during which the employee has not been separated from state service for more than two years. If a person repays a refund, the service restored by the repayment must be considered continuous with the next period of service for which the employee has credit with this system. The formula percentages used for each period of uninterrupted service must be those applicable to a new employee. The mortality table and interest assumption used to compute the annuity must be those in effect when the employee files application for annuity. This section ~~shall~~ does not reduce the annuity otherwise payable under this chapter.

(b) The retirement annuity or disability benefit of, or the survivor benefit payable on behalf of, a former state employee who terminated service before July 1, 1997, which is not first payable until after June 30, 1997, must be increased on an actuarial equivalent basis to reflect the change in the postretirement interest rate actuarial assumption under section 356.215, subdivision 4d, from five percent to six percent under a calculation procedure and the tables adopted by the board and approved by the actuary retained by the legislative commission on pensions and retirement.

Sec. 21. Minnesota Statutes 1996, section 352.92, subdivision 1, is amended to read:

Subdivision 1. [EMPLOYEE CONTRIBUTIONS.] ~~Beginning with the first full pay period after July 1, 1984, in lieu of employee contributions payable under section 352.04, subdivision 2, Employee contributions by~~ covered correctional employees must be in an amount equal to 4.90 5.50 percent of salary.

Sec. 22. Minnesota Statutes 1996, section 352.92, subdivision 2, is amended to read:

Subd. 2. [EMPLOYER CONTRIBUTIONS.] ~~In lieu of employer contributions payable under section 352.04, subdivision 3,~~ The employer shall contribute for covered correctional employees an amount equal to ~~6.75~~ 7.70 percent of salary.

Sec. 23. Minnesota Statutes 1996, section 352.93, subdivision 2, is amended to read:

Subd. 2. [CALCULATING MONTHLY ANNUITY.] The monthly annuity under this section must be determined by multiplying the average monthly salary by the number of years, or completed months, of covered correctional service by ~~2.5~~ the percent specified in section 356.19, subdivision 5. However, the monthly annuity must not exceed 75 percent of the average monthly salary.

Sec. 24. Minnesota Statutes 1996, section 352.93, subdivision 3, is amended to read:

Subd. 3. [PAYMENTS; DURATION AND AMOUNT ANNUITY ACCRUAL.] The annuity under this section shall begin to accrue as provided in section 352.115, subdivision 8, and ~~must be paid for an additional 84 full calendar months or to the first of the month following the month in which the employee attains normal retirement age, whichever occurs first, except that payment must not cease before the first of the month following the month in which the employee becomes 62. It must then be reduced to the amount as calculated at normal retirement age under section 352.115, except that if this amount, when added to that portion of the social security benefit based on state service the employee would be eligible to receive at the time, is less than the benefit payable under subdivision 2, the retired employee shall receive an amount that when added to the social security benefit will equal the amount payable under subdivision 2. If the employee retired prior to age 55, the reduced benefit as calculated under section 352.115 must be actuarially reduced as provided in subdivision 2a.~~

~~When an annuity is reduced under this subdivision, the percentage adjustments, if any, that have been applied to the original annuity under section 11A.18, before the reduction, must be compounded and applied to the reduced annuity. A former correctional employee employed by the state in a position covered by the regular plan or the unclassified employees retirement program between the age of 58 and normal retirement age shall receive a partial return of correctional contributions at retirement with six percent interest based on the following formula:~~

Employee contributions contributed as a correctional employee in excess of the contributions the employee would have contributed as a regular employee	X	Years and complete months of regular service between age 58 and the normal retirement age number of years between age 58 and normal retirement age
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Sec. 25. Minnesota Statutes 1996, section 352.93, is amended by adding a subdivision to read:

Subd. 3a. [OPTIONAL ANNUITIES.] The board may establish optional annuity forms to pay a higher amount from the date of retirement until an employee is first eligible to draw social security benefits or up to the age the employee is eligible to receive unreduced social security benefits, at which time the monthly benefits must be reduced. The optional annuity forms must be actuarially equivalent to the normal single life annuity form provided in subdivision 2. The optional annuity

forms must be approved by the actuary retained by the legislative commission on pensions and retirement.

Sec. 26. [352.931] [SURVIVOR BENEFITS.]

Subdivision 1. [SURVIVING SPOUSE BENEFIT.] (a) If the correctional employee was at least age 50, has credit for at least three years allowable service, and dies before an annuity or disability benefit has become payable, notwithstanding any designation of beneficiary to the contrary, the surviving spouse of the employee may elect to receive, in lieu of the refund under section 352.12, subdivision 1, an annuity for life equal to the joint and 100 percent survivor annuity which the employee could have qualified for had the employee terminated service on the date of death. The election may be made at any time after the date of death of the employee. The surviving spouse benefit begins to accrue as of the first of the month next following the date on which the application for the benefit was filed.

(b) If the employee was under age 50, dies, and had credit for at least three years of allowable service credit on the date of death but did not yet qualify for retirement, the surviving spouse may elect to receive a 100 percent joint and survivor annuity based on the age of the employee and surviving spouse at the time of death. The annuity is payable using the early retirement reduction under section 352.93, subdivision 2a, to age 50, and one-half of the early retirement reduction from age 50 to the age payment begins. The surviving spouse eligible for surviving spouse benefits under this paragraph may apply for the annuity at any time after the employee's death. Sections 352.22, subdivision 3, and 352.72, subdivision 2, apply to a deferred annuity or surviving spouse benefit payable under this subdivision.

(c) The annuity must cease with the last payment received by the surviving spouse in the lifetime of the surviving spouse. Any employee may request in writing that this subdivision not apply and that payment be made only to a designated beneficiary as otherwise provided by this chapter.

Subd. 2. [SURVIVING SPOUSE COVERAGE; TERM CERTAIN.] In lieu of the 100 percent optional annuity under subdivision 1, the surviving spouse of a deceased employee may elect to receive survivor coverage in a term certain of ten, 15, or 20 years. The monthly term certain annuity must be actuarially equivalent to the 100 percent optional annuity under subdivision 1 and must be approved by the actuary retained by the legislative commission on pensions and retirement. The optional annuity ceases upon the expiration of the term certain period. If a survivor elects a term certain annuity and dies before the expiration of the specified term certain period, the commuted value of the remaining annuity payments must be paid in a lump sum to the survivor's estate.

Subd. 3. [DEPENDENT CHILD SURVIVOR COVERAGE.] If there is no surviving spouse eligible for benefits under subdivision 1, a dependent child as defined in section 352.01, subdivision 26, is eligible for a dependent child survivor benefit. Benefits to a dependent child must be paid from the date of the employee's death to the date the dependent child attains age 20 if the child is under age 15 on the date of death. If the child is 15 years or older on the date of death, the benefit is payable for five years. The payment to a dependent child is an amount actuarially equivalent to the value of a 100 percent joint and survivor optional annuity using the age of the employee and age of the dependent child at the date of death in lieu of the age of the surviving spouse. If there is more than one dependent child, each dependent child shall receive a proportionate share of the actuarial value of the employee's account, with the amount of the benefit payable to each child to be determined based on the portion of the total eligibility period that each child is eligible. The process for calculating the dependent child survivor benefit must be approved by the actuary retained by the legislative commission on pensions and retirement.

Subd. 4. [DEATH REFUND.] An amount equal to the excess, if any, of the accumulated contributions credited to the account of the deceased employee in excess of the total of the benefits paid to the surviving spouse and surviving child or children must be paid to the deceased employee's last designated beneficiary or, if none, as specified under section 352.12, subdivision 1.

Subd. 5. [APPLICATION.] The benefit elections under this section must be made on an application form prescribed by the executive director and must be filed with the executive director.

Sec. 27. Minnesota Statutes 1996, section 352.95, subdivision 1, is amended to read:

Subdivision 1. [JOB-RELATED DISABILITY.] A covered correctional employee who becomes disabled and physically unfit to perform the duties of the position as a direct result of an injury, sickness, or other disability incurred in or arising out of any act of duty that makes the employee physically or mentally unable to perform the duties, is entitled to a disability benefit based on covered correctional service only. The benefit amount must equal 50 percent of the average salary defined in section 352.93, plus an additional 2-1/2 percent equal to that specified in section 356.19, subdivision 5, for each year of covered correctional service in excess of 20 years, ten months, prorated for completed months.

Sec. 28. Minnesota Statutes 1996, section 352.95, subdivision 5, is amended to read:

Subd. 5. [RETIREMENT STATUS AT NORMAL RETIREMENT AGE.] The disability benefit paid to a disabled correctional employee under this section shall terminate at the end of the month in which the employee reaches age 62. If the disabled correctional employee is still disabled when the employee reaches age 62, the employee shall be deemed to be a retired employee. If the employee had elected an optional annuity under subdivision 1a, the employee shall receive an annuity in accordance with the terms of the optional annuity previously elected. If the employee had not elected an optional annuity under subdivision 1a, the employee may within 90 days of attaining age 65 or reaching the five-year anniversary of the effective date of the disability benefit, whichever is later, either elect to receive a normal retirement annuity computed in the manner provided in section ~~352.115~~ 352.93 or elect to receive an optional annuity as provided in section 352.116, subdivision 3, based on the same length of service as used in the calculation of the disability benefit. Election of an optional annuity must be made within 90 days before attaining age 65 or reaching the five-year anniversary of the effective date of the disability benefit, whichever is later. ~~The reduction for retirement before normal retirement age as provided in section 352.116, subdivision 1 or 1a, does not apply. The savings clause provision of section 352.93, subdivision 3, applies.~~ If an optional annuity is elected, the optional annuity shall begin to accrue on the first of the month following the month in which the employee reaches age 65 or the five-year anniversary of the effective date of the disability benefit, whichever is later.

Sec. 29. Minnesota Statutes 1996, section 352B.02, subdivision 1a, is amended to read:

Subd. 1a. [MEMBER CONTRIBUTIONS.] Each member shall pay a sum equal to ~~8.92~~ 8.40 percent of the member's salary, which shall constitute the member contribution to the fund.

Sec. 30. Minnesota Statutes 1996, section 352B.02, subdivision 1c, is amended to read:

Subd. 1c. [EMPLOYER CONTRIBUTIONS.] (a) In addition to member contributions, department heads shall pay a sum equal to ~~14.88~~ 12.60 percent of the salary upon which deductions were made, which shall constitute the employer contribution to the fund. Department contributions must be paid out of money appropriated to departments for this purpose.

~~(b) By January 1 of each year, the board of directors shall report to the legislative commission on pensions and retirement, the chair of the committee on appropriations of the house of representatives, and the chair of the committee on finance of the senate on the amount raised by the employer and employee contribution rates in effect and whether the total amount is less than, the same as, or more than the actuarial requirement determined under section 356.215.~~

Sec. 31. Minnesota Statutes 1996, section 352B.08, subdivision 2, is amended to read:

Subd. 2. [NORMAL RETIREMENT ANNUITY.] The annuity must be paid in monthly installments. The annuity shall be equal to the amount determined by multiplying the average monthly salary of the member by ~~2.65~~ the percent specified in section 356.19, subdivision 6, for each year and pro rata for completed months of service.

Sec. 32. Minnesota Statutes 1996, section 352B.08, subdivision 2a, is amended to read:

Subd. 2a. [EARLY RETIREMENT.] Any member who has become at least 50 years old, ~~or former member if service ended after June 30, 1989,~~ and who has at least three years of allowable service is entitled upon application to a reduced retirement annuity equal to the annuity calculated under subdivision 2, ~~reduced so that the reduced annuity is the actuarial equivalent of the annuity that would be payable if the member deferred receipt of the annuity from the day the annuity begins to accrue to age 55~~ by two-tenths of one percent for each month that the member is under age 55 at the time of retirement.

Sec. 33. Minnesota Statutes 1996, section 352B.10, subdivision 1, is amended to read:

Subdivision 1. [INJURIES, PAYMENT AMOUNTS.] Any member who becomes disabled and physically or mentally unfit to perform duties as a direct result of an injury, sickness, or other disability incurred in or arising out of any act of duty, shall receive disability benefits while disabled. The benefits must be paid in monthly installments equal to the member's average monthly salary multiplied by ~~53~~ 60 percent, plus an additional ~~2.65~~ percent equal to that specified in section 356.19, subdivision 6, for each year and pro rata for completed months of service in excess of 20 years, if any.

Sec. 34. Minnesota Statutes 1996, section 352B.30, is amended by adding a subdivision to read:

Subd. 4. [1997 POSTRETIREMENT FUND INTEREST CHANGES.] The retirement annuity or disability benefit of, or the survivor benefit payable on behalf of, a former member who terminated service before July 1, 1997, which is not first payable until after June 30, 1997, must be increased on an actuarial equivalent basis to reflect the change in the postretirement interest rate actuarial assumption under section 356.215, subdivision 4d, from five percent to six percent under a calculation procedure and tables adopted by the board and approved by the actuary retained by the legislative commission on pensions and retirement.

Sec. 35. Minnesota Statutes 1996, section 352C.031, subdivision 4, is amended to read:

Subd. 4. [RETIREMENT ALLOWANCE FORMULA.] (a) This paragraph applies to constitutional officers who terminate that service before July 1, 1997. The average salary multiplied by 2-1/2 percent for each year of allowable service and pro rata for completed months less than a full year shall determine the amount of the normal retirement allowance.

(b) This paragraph applies to constitutional officers who terminate that service after June 30, 1997. The retirement allowance is an amount equal to the rate under paragraph (a) per year of service of the constitutional officer's average monthly salary adjusted for that person on an actuarial equivalent basis to reflect the change in the postretirement interest rate actuarial assumption under section 356.215, subdivision 4d, from five percent to six percent. The adjustment must be calculated by or, alternatively, the adjustment procedure must be specified by the actuary retained by the legislative commission on pensions and retirement.

Sec. 36. Minnesota Statutes 1996, section 352C.033, is amended to read:

352C.033 [DEFERRED ANNUITIES AUGMENTATION.]

(a) The deferred retirement allowance for any former constitutional officer shall must be augmented as provided in this section. The required reserves applicable to the deferred retirement allowance, determined as of the date the retirement allowance begins to accrue using the appropriate mortality table and an interest assumption of ~~five~~ six percent, shall be augmented from the first of the month following termination of service as a constitutional officer, or January 1, 1979, whichever is later, to the first day of the month in which the annuity begins to accrue, at the rate of five percent per annum compounded annually until January 1, 1981, and thereafter at the rate of three percent per annum compounded annually until January 1 of the year in which the former constitutional officer attains age 55. From that date to the effective date of retirement, the rate is five percent compounded annually.

(b) The retirement allowance of, or the survivor benefit payable on behalf of, a former constitutional officer who terminated service before July 1, 1997, which is not first payable until after June 30, 1997, must be increased on an actuarial equivalent basis to reflect the change in the

postretirement interest rate actuarial assumption under section 356.215, subdivision 4d, from five percent to six percent under a calculation procedure and tables adopted by the board as recommended by an approved actuary and approved by the actuary retained by the legislative commission on pensions and retirement.

Sec. 37. Minnesota Statutes 1996, section 353.01, subdivision 37, is amended to read:

Subd. 37. [NORMAL RETIREMENT AGE.] "Normal retirement age" means age 65 for a person who first became a public employee or a member of a pension fund listed in section 356.30, subdivision 3, before July 1, 1989. For a person who first becomes a public employee after June 30, 1989, "normal retirement age" means the higher of age 65 or "retirement age," as defined in United States Code, title 42, section 416(l), as amended, but not to exceed age 66.

Sec. 38. Minnesota Statutes 1996, section 353.27, subdivision 2, is amended to read:

Subd. 2. [EMPLOYEE CONTRIBUTION.] The employee contribution shall be an amount (a) for a "basic member" equal to ~~8.23~~ 8.75 percent of total salary; and (b) for a "coordinated member" equal to ~~4.23~~ 4.75 percent of total salary. These contributions ~~shall~~ must be made by deduction from salary in the manner provided in subdivision 4. Where any portion of a member's salary is paid from other than public funds, such member's employee contribution ~~shall~~ must be based on the total salary received from all sources.

Sec. 39. Minnesota Statutes 1996, section 353.27, subdivision 3a, is amended to read:

Subd. 3a. [ADDITIONAL EMPLOYER CONTRIBUTION.] (a) An additional employer contribution ~~shall~~ must be made equal to (a) ~~2-1/2~~ 2.68 percent of the total salary of each "basic member"; and (b) ~~one-quarter of one~~ .43 percent of the total salary of each "coordinated member." These contributions ~~shall~~ must be made from funds available to the employing subdivision by the means and in the manner provided in section 353.28.

(b) This subdivision is repealed once the actuarial value of the assets of the plan equal or exceed the actuarial accrued liability of the plan as determined by the actuary retained by the legislative commission on pensions and retirement under section 356.215. The repeal is effective on the first day of the first full pay period occurring after March 31 of the calendar year following the issuance of the actuarial valuation upon which the repeal is based.

Sec. 40. Minnesota Statutes 1996, section 353.29, subdivision 3, is amended to read:

Subd. 3. [RETIREMENT ANNUITY FORMULA.] (a) This paragraph, in conjunction with section 353.30, subdivisions 1, 1a, 1b, and 1c, applies to any member who first became a public employee or a member of a pension fund listed in section 356.30, subdivision 3, before July 1, 1989, unless paragraph (b), in conjunction with section 353.30, subdivision 5, produces a higher annuity amount, in which case paragraph (b) will apply. The average salary as defined in subdivision 2, multiplied by ~~two~~ the percent specified in section 356.19, subdivision 3, for each year of allowable service for the first ten years and thereafter by ~~2.5~~ the percent specified in section 356.19, subdivision 4, per year of allowable service and completed months less than a full year for the "basic member," and ~~one~~ the percent specified in section 356.19, subdivision 1, for each year of allowable service for the first ten years and thereafter by ~~1.5~~ the percent specified in section 356.19, subdivision 2, per year of allowable service and completed months less than a full year for the "coordinated member," shall determine the amount of the "normal" retirement annuity.

(b) This paragraph applies to a member who has become at least 55 years old and first became a public employee after June 30, 1989, and to any other member whose annuity amount, when calculated under this paragraph and in conjunction with section 353.30, subdivision 5, is higher than it is when calculated under paragraph (a), in conjunction with section 353.30, subdivisions 1, 1a, 1b, and 1c. The average salary, as defined in subdivision 2, multiplied by ~~2.5~~ the percent specified in section 356.19, subdivision 4, for each year of allowable service and completed months less than a full year for a basic member and ~~1.5~~ the percent specified in section 356.19, subdivision 2, per year of allowable service and completed months less than a full year for a coordinated member, shall determine the amount of the normal retirement annuity.

Sec. 41. Minnesota Statutes 1996, section 353.651, subdivision 3, is amended to read:

Subd. 3. [RETIREMENT ANNUITY FORMULA.] The average salary as defined in subdivision 2, multiplied by ~~2.65~~ the percent specified in section 356.19, subdivision 6, per year of allowable service determines the amount of the normal retirement annuity. If the member has earned allowable service for performing services other than those of a police officer or firefighter, the annuity representing such service is computed under sections 353.29 and 353.30.

Sec. 42. Minnesota Statutes 1996, section 353.656, subdivision 1, is amended to read:

Subdivision 1. [IN LINE OF DUTY; COMPUTATION OF BENEFITS.] A member of the police and fire fund who becomes disabled and physically unfit to perform duties as a police officer or firefighter subsequent to June 30, 1973, as a direct result of an injury, sickness, or other disability incurred in or arising out of any act of duty, which has or is expected to render the member physically or mentally unable to perform duties as a police officer or firefighter for a period of at least one year, shall receive disability benefits during the period of such disability. The benefits must be in an amount equal to ~~53~~ 60 percent of the "average salary" under subdivision 3, plus an additional ~~2.65~~ percent specified in section 356.19, subdivision 6, of said average salary for each year of service in excess of 20 years. Should disability under this subdivision occur before the member has at least five years of allowable service credit in the police and fire fund, the disability benefit must be computed on the "average salary" from which deductions were made for contribution to the police and fire fund.

Sec. 43. Minnesota Statutes 1996, section 353.71, subdivision 2, is amended to read:

Subd. 2. [DEFERRED ANNUITY COMPUTATION; AUGMENTATION.] (a) The deferred annuity, if any, accruing under subdivision 1, or sections 353.34, subdivision 3, and 353.68, subdivision 4, shall ~~must~~ be computed in the manner provided in said sections, on the basis of allowable service prior to termination of public service and augmented as provided herein. The required reserves applicable to a deferred annuity, or to an annuity for which a former member was eligible but had not applied, or to any deferred segment of an annuity shall be determined as of the date the annuity begins to accrue and shall be augmented from the first day of the month following the month in which the former member ceased to be a public employee, or July 1, 1971, whichever is later, to the first day of the month in which the annuity begins to accrue, at the rate of five percent per annum compounded annually until January 1, 1981, and at the rate of three percent thereafter until January 1 of the year following the year in which the former member attains age 55. From that date to the effective date of retirement, the rate is five percent per annum compounded annually. If a person has more than one period of uninterrupted service, the required reserves related to each period shall be augmented by interest pursuant to this subdivision. The sum of the augmented required reserves so determined shall be the present value of the annuity. Uninterrupted service for the purpose of this subdivision shall mean periods of covered employment during which the employee has not been separated from public service for more than two years. If a person repays a refund, the service restored thereby shall be considered as continuous with the next period of service for which the employee has credit with this association. The formula percentages used for each period of uninterrupted service shall be those as would be applicable to a new employee. This section shall not reduce the annuity otherwise payable under this chapter. This subdivision shall apply to deferred annuitants of record on July 1, 1971, and to employees who thereafter become deferred annuitants; it shall also apply from July 1, 1971, to former members who make application for an annuity after July 1, 1973.

(b) The retirement annuity or disability benefit of, or the survivor benefit payable on behalf of, a former member who terminated service before July 1, 1997, which is not first payable until after June 30, 1997, must be increased on an actuarial equivalent basis to reflect the change in the postretirement interest rate actuarial assumption under section 356.215, subdivision 4d, from five percent to six percent under a calculation procedure and tables adopted by the board and approved by the actuary retained by the legislative commission on pensions and retirement.

Sec. 44. Minnesota Statutes 1996, section 353A.08, subdivision 1, is amended to read:

Subdivision 1. [ELECTION OF COVERAGE BY CURRENT RETIREES.] A person who is

receiving a service pension, disability benefit, or survivorship survivor benefit is eligible to elect benefit coverage provided under the relevant provisions of the public employees police and fire fund benefit plan or to retain benefit coverage provided under the relief association benefit plan in effect on the effective date of the consolidation. The relevant provisions of the public employees police and fire fund benefit plan for the person electing that benefit coverage are limited to participation in the Minnesota postretirement investment fund for any future postretirement adjustments based on the amount of the benefit or pension payable on December 31, if December 31 is the effective date of consolidation, or on the December 1 following the effective date of the consolidation, if other than December 31. The survivorship survivor benefit payable on behalf of any service pension or disability benefit recipient who elects benefit coverage under the public employees police and fire fund benefit plan must be calculated under the relief association benefit plan and is subject to participation in the Minnesota postretirement investment fund for any future postretirement adjustments based on the amount of the survivorship survivor benefit payable.

A survivor benefit calculated under the relief association benefit plan which is first payable after June 30, 1997, to the surviving spouse of a retired member of a consolidation account who, before July 1, 1997, chose to participate in the Minnesota postretirement investment fund as provided under this subdivision must be increased on the effective date of the survivor benefit on an actuarial equivalent basis to reflect the change in the postretirement interest rate actuarial assumption under section 356.215, subdivision 4d, from five percent to six percent under a calculation procedure and tables adopted by the board and approved by the actuary retained by the legislative commission on pensions and retirement.

By electing the public employees police and fire fund benefit plan, a current service pension or disability benefit recipient who, as of the first January 1 occurring after the effective date of consolidation, has been receiving the pension or benefit for at least seven months, or any survivor benefit recipient who, as of the first January 1 occurring after the effective date of consolidation, has been receiving the benefit on the person's own behalf or in combination with a prior applicable service pension or disability benefit for at least seven months is eligible to receive a partial adjustment payable from the Minnesota postretirement investment fund under section 11A.18, subdivision 9.

The election by any pension or benefit recipient must be made on or before the deadline established by the board of the public employees retirement association in a manner that recognizes the number of persons eligible to make the election and the anticipated time required to conduct any required benefit counseling.

Sec. 45. Minnesota Statutes 1996, section 353A.08, subdivision 2, is amended to read:

Subd. 2. [ELECTION OF COVERAGE BY CURRENT DEFERRED RETIREES.] (a) Any person who has terminated active employment as a police officer or firefighter, whichever applies, with the municipality, has sufficient credit for service to entitle the person to an eventual service pension and has not taken a refund of accumulated member contributions, if applicable, shall have the option to elect to have benefit coverage provided under the relevant provisions of the public employees police and fire fund benefit plan or to retain benefit coverage provided by the relief association benefit plan in effect on the effective date of consolidation. The relevant provisions of the public employees police and fire fund benefit plan for the person electing that benefit coverage shall be the provisions specified in subdivision 1.

The election shall be made when the person files an application for receipt of the deferred service pension and shall accompany that application.

(b) The retirement annuity for a deferred member of a consolidated local relief association which consolidated before July 1, 1997, who elected the relevant provisions of the public employees police and fire fund benefit plan under subdivision 1 must be increased on an actuarial equivalent basis to reflect the change in the postretirement interest rate actuarial assumption under section 356.215, subdivision 4d, from five percent to six percent under a calculation procedure and tables adopted by the board of trustees of the public employees retirement association and approved by the actuary retained by the legislative commission on pensions and retirement.

Sec. 46. Minnesota Statutes 1996, section 353A.083, is amended by adding a subdivision to read:

Subd. 3. [PRE-1997 CONSOLIDATION.] (a) For any consolidation plan account in effect on July 1, 1997, the applicable benefit plan coverage defined in paragraph (b) or (c) applies unless the consolidation account's city approves the extension of the post-June 30, 1997, public employees police and fire fund benefit plan to the consolidation account members.

(b) If the applicable municipality has approved the July 1, 1993, public employees police and fire fund benefit provisions, but has not approved the extension of the post-June 30, 1997, public employees police and fire fund benefit provisions:

(1) the benefit accrual rate for calculating retirement annuities that apply to consolidation account members who have elected or elect coverage under the provisions of the public employees police and fire fund benefit plan is 2.9 percent of average salary under section 353.651, subdivision 2, per year of allowable service;

(2) the optional survivor annuities payable to the survivors of these consolidated members who elected coverage under the provisions of the public employees police and fire fund benefit plan must be determined using a benefit accrual rate of 2.9 percent of average salary under section 353.651, subdivision 2, per year of the member's allowable service;

(3) the disability benefit payable for these consolidated members who elected or elect coverage under the provisions of the public employees police and fire fund benefit plan and:

(i) who become disabled in the line of duty, as defined under section 353.656, subdivision 1, is an amount equal to 58 percent of average salary under section 353.651, subdivision 2, plus an additional 2.9 percent of that average salary for each year of service in excess of 20 years; or

(ii) who become disabled because of sickness or injury occurring while not on duty, as defined under section 353.656, subdivision 3, is an amount equal to 43.50 percent of average salary under section 353.651, subdivision 2, plus an additional 2.9 percent of that average salary for each year of service in excess of 15 years.

(c) If the applicable municipality has not approved the July 1, 1993, public employees police and fire fund benefit provisions, and has not approved the extension of the post-June 30, 1997, public employees police and fire fund benefit provisions:

(1) the benefit accrual rate for calculating retirement annuities that apply to consolidation account members who have elected or elect coverage under the provisions of the public employees police and fire fund benefit plan is 2.74 percent of average salary under section 353.651, subdivision 2, per year of allowable service;

(2) the optional survivor annuities payable to the survivors of these consolidated members who elected coverage under the provisions of the public employees police and fire fund benefit plan must be determined using a benefit accrual rate of 2.74 percent of average salary under section 353.651, subdivision 2, per year of the member's allowable service;

(3) the disability benefit payable for consolidated members who elected or elect the coverage under the provisions of the public employees police and fire fund benefit plan and:

(i) who become disabled in the line of duty, as defined under section 353.656, subdivision 1, is an amount equal to 54.80 percent of the average salary under section 353.651, subdivision 2, plus an additional 2.74 percent of that average salary for each year of service in excess of 20 years; or

(ii) who become disabled because of sickness or injury occurring while not on duty, as defined under section 353.656, subdivision 3, is an amount equal to 41.10 percent of the average salary under section 353.651, subdivision 2, plus an additional 2.74 percent of that average salary for each year of service in excess of 15 years.

Sec. 47. Minnesota Statutes 1996, section 354.05, subdivision 38, is amended to read:

Subd. 38. [NORMAL RETIREMENT AGE.] "Normal retirement age" means age 65 for a person who first became a member of the association or a member of a pension fund listed in section 356.30, subdivision 3, before July 1, 1989. For a person who first becomes a member of the association after June 30, 1989, normal retirement age means the higher of age 65 or "retirement age," as defined in United States Code, title 42, section 416(1), as amended, but not to exceed age 66.

Sec. 48. Minnesota Statutes 1996, section 354.42, subdivision 2, is amended to read:

Subd. 2. [EMPLOYEE.] The employee contribution to the fund ~~shall be~~ is an amount equal to ~~6.5~~ 5.0 percent of the salary of every coordinated member and ~~10.5~~ 9.0 percent of the salary of every basic member. This contribution ~~shall~~ must be made by deduction from salary. Where any portion of a member's salary is paid from other than public funds, ~~such~~ the member's employee contribution ~~shall~~ must be based on the entire salary received.

Sec. 49. Minnesota Statutes 1996, section 354.42, subdivision 3, is amended to read:

Subd. 3. [EMPLOYER.] The employer contribution to the fund ~~shall be~~ is an amount equal to ~~4-1/2~~ 5.0 percent of the salary of each coordinated member and ~~8-1/2~~ 9.0 percent of the salary of each basic member.

Sec. 50. Minnesota Statutes 1996, section 354.42, subdivision 5, is amended to read:

Subd. 5. [ADDITIONAL EMPLOYER CONTRIBUTION.] (a) To amortize the unfunded actuarial accrued liability computed under the entry age actuarial cost method and disclosed under the annual actuarial valuations prepared by the commission-retained actuary under section 356.215, an additional employer contribution ~~shall~~ must be made in the amount of ~~3.64~~ 1.64 percent of the salary of each member.

(b) This contribution must be made in the manner provided in section 354.52, subdivision 4.

(c) This subdivision is repealed once the actuarial value of the assets of the plan equal or exceed the actuarial accrued liability of the plan as determined by the actuary retained by the legislative commission on pensions and retirement under section 356.215. The repeal is effective on the first day of the first full pay period occurring after March 31 of the calendar year following the issuance of the actuarial valuation upon which the repeal is based.

~~By January 1 of each year, the board of directors shall report to the legislative commission on pensions and retirement, the chair of the committee on appropriations of the house of representatives, and the chair of the committee on finance of the senate on the amount raised by the additional employer contribution rate in effect and whether that amount is less than, the same as, or more than the required amortization contribution determined under section 356.215.~~

Sec. 51. Minnesota Statutes 1996, section 354.44, subdivision 6, is amended to read:

Subd. 6. [COMPUTATION OF FORMULA PROGRAM RETIREMENT ANNUITY.] (1) The formula retirement annuity ~~hereunder shall~~ must be computed in accordance with the applicable provisions of the formulas stated in clause (2) or (4) on the basis of each member's average salary for the period of the member's formula service credit.

For all years of formula service credit, "average salary," for the purpose of determining the member's retirement annuity, means the average salary upon which contributions were made and upon which payments were made to increase the salary limitation provided in Minnesota Statutes 1971, section 354.511, for the highest five successive years of formula service credit provided, however, that such "average salary" shall not include any more than the equivalent of 60 monthly salary payments. Average salary must be based upon all years of formula service credit if this service credit is less than five years.

(2) This clause, in conjunction with clause (3), applies to a person who first became a member of the association or a member of a pension fund listed in section 356.30, subdivision 3, before July 1, 1989, unless clause (4), in conjunction with clause (5), produces a higher annuity amount,

in which case clause (4) applies. The average salary as defined in clause (1), multiplied by the following percentages per year of formula service credit shall determine the amount of the annuity to which the member qualifying therefor is entitled:

	Coordinated Member	Basic Member
Each year of service during first ten	1.13 <u>the</u> percent <u>specified in</u> <u>section 356.19,</u> <u>subdivision 1,</u> per year	2.13 <u>the</u> percent <u>specified in</u> <u>section 356.19,</u> <u>subdivision 3,</u> per year
Each year of service thereafter	1.63 <u>the</u> percent <u>specified in</u> <u>section 356.19,</u> <u>subdivision 2,</u> per year	2.63 <u>the</u> percent <u>specified in</u> <u>section 356.19,</u> <u>subdivision 4,</u> per year

(3)(i) This clause applies only to a person who first became a member of the association or a member of a pension fund listed in section 356.30, subdivision 3, before July 1, 1989, and whose annuity is higher when calculated under clause (2), in conjunction with this clause than when calculated under clause (4), in conjunction with clause (5).

(ii) Where any member retires prior to normal retirement age under a formula annuity, the member shall be paid a retirement annuity in an amount equal to the normal annuity provided in clause (2) reduced by one-quarter of one percent for each month that the member is under normal retirement age at the time of retirement except that for any member who has 30 or more years of allowable service credit, the reduction shall be applied only for each month that the member is under age 62.

(iii) Any member whose attained age plus credited allowable service totals 90 years is entitled, upon application, to a retirement annuity in an amount equal to the normal annuity provided in clause (2), without any reduction by reason of early retirement.

(4) This clause applies to a member who has become at least 55 years old and first became a member of the association after June 30, 1989, and to any other member who has become at least 55 years old and whose annuity amount when calculated under this clause and in conjunction with clause (5), is higher than it is when calculated under clause (2), in conjunction with clause (3). The average salary, as defined in clause (1) multiplied by ~~2.63~~ the percent specified by section 356.19, subdivision 4, for each year of service for a basic member and by ~~1.63~~ the percent specified in section 356.19, subdivision 2, for each year of service for a coordinated member shall determine the amount of the retirement annuity to which the member is entitled.

(5) This clause applies to a person who has become at least 55 years old and first becomes a member of the association after June 30, 1989, and to any other member who has become at least 55 years old and whose annuity is higher when calculated under clause (4) in conjunction with this clause than when calculated under clause (2), in conjunction with clause (3). An employee who retires under the formula annuity before the normal retirement age shall be paid the normal annuity provided in clause (4) reduced so that the reduced annuity is the actuarial equivalent of the annuity that would be payable to the employee if the employee deferred receipt of the annuity and the annuity amount were augmented at an annual rate of three percent compounded annually from the day the annuity begins to accrue until the normal retirement age.

Sec. 52. Minnesota Statutes 1996, section 354.44, is amended by adding a subdivision to read:

Subd. 6a. [EXTENSION OF 1997 PERMANENT INCREASE.] (a) A percentage of the permanent increase for benefit recipients effective July 1, 1997, under section 71, as specified in paragraph (b), is payable to:

(1) a member who terminates service after June 30, 1997, and whose benefit begins to accrue during the period of July 2, 1997, to July 1, 2002, based on the member's age at retirement.

(2) a member who is determined to be totally and permanently disabled under section 354.05, subdivision 14, after June 30, 1997, and whose benefit begins to accrue during the period of July 2, 1997, to July 1, 2002, based on the member's age at disability.

(3) the survivor of a member who terminates service and dies after June 30, 1997, and whose benefit begins to accrue during the period of July 2, 1997, to July 1, 2002.

(b) The percentage of the permanent increase is the amount designated for the applicable beginning benefit accrual date, as follows:

<u>Beginning Benefit Accrual Date</u>	<u>Percentage of Permanent Increase</u>
<u>July 2, 1997 to July 1, 1998</u>	<u>50 percent</u>
<u>July 2, 1998 to July 1, 1999</u>	<u>40 percent</u>
<u>July 2, 1999 to July 1, 2000</u>	<u>30 percent</u>
<u>July 2, 2000 to July 1, 2001</u>	<u>20 percent</u>
<u>July 2, 2001 to July 1, 2002</u>	<u>10 percent</u>

Sec. 53. Minnesota Statutes 1996, section 354.53, subdivision 1, is amended to read:

Subdivision 1. [EMPLOYEE AND EMPLOYER CONTRIBUTIONS.] Any employee given a leave of absence to enter military service and who returns to teaching service upon discharge from military service as provided in section 192.262, shall may obtain credit for the period of military service but shall not receive credit for any voluntary extension of military service at the instance of the member beyond the initial period of enlistment, induction or call to active duty. The member shall obtain credit by paying into the fund an employee contribution based upon the salary of the member at the date of return from military service. The amount of this contribution shall be as follows:

<u>Period</u>	<u>Basic Member</u>	<u>Coordinated Member</u>
<u>July 1, 1973</u>	<u>8 percent</u>	<u>4 percent</u>
<u>thru</u>		
<u>June 30, 1979</u>		
<u>July 1, 1979</u>		
<u>and 8.5 percent</u>	<u>4.5 percent</u>	
<u>thereafter</u>		

The contributions specified in this subdivision shall be contribution rates in effect at the time that the military service was performed multiplied by the annual salary rate of the member for the year beginning with the date of return from military service and the number of years of military service together with interest thereon at an annual rate of 8.5 percent compounded annually from the time the military service was rendered to the first date of payment. The employer contribution and additional contribution provided in section 354.42 shall must be paid by the employing unit at the rates in effect at the time that the military service was performed, applied to the annual salary rate of the member for the year beginning with the date of return from military service, in the manner provided in section 354.52, subdivision 4.

Sec. 54. Minnesota Statutes 1996, section 354.55, subdivision 11, is amended to read:

Subd. 11. [DEFERRED ANNUITY; AUGMENTATION.] (a) Any person covered under section 354.44, subdivision 6, who ceases to render teaching service, may leave the person's accumulated deductions in the fund for the purpose of receiving a deferred annuity at retirement. Eligibility for an annuity under this subdivision ~~shall be~~ is governed pursuant to section 354.44, subdivision 1, or 354.60.

(b) The amount of the deferred retirement annuity ~~shall be~~ is determined by section 354.44, subdivision 6, and augmented as provided in this subdivision. The required reserves related to that portion of the annuity which had accrued when the member ceased to render teaching service ~~shall~~ must be augmented by interest compounded annually from the first day of the month following the month during which the member ceased to render teaching service to the effective date of retirement. There shall be no augmentation if this period is less than three months or if this period commences prior to July 1, 1971. The rates of interest used for this purpose ~~shall~~ must be five percent compounded annually commencing July 1, 1971, until January 1, 1981, and three percent compounded annually thereafter until January 1 of the year following the year in which the former member attains age 55. From that date to the effective date of retirement, the rate is five percent compounded annually. If a person has more than one period of uninterrupted service, a separate average salary determined under section 354.44, subdivision 6, must be used for each period and the required reserves related to each period ~~shall~~ must be augmented by interest pursuant to this subdivision. The sum of the augmented required reserves so determined shall be the basis for purchasing the deferred annuity. If a person repays a refund, the service restored by the repayment must be considered as continuous with the next period of service for which the person has credit with this fund. If a person does not render teaching service in any one fiscal year or more consecutive fiscal years and then resumes teaching service, the formula percentages used from the date of the resumption of teaching service ~~shall~~ must be those applicable to new members. The mortality table and interest assumption used to compute the annuity ~~shall~~ must be the applicable mortality table established by the board under section 354.07, subdivision 1, and the interest rate assumption under section 356.215 in effect when the member retires. A period of uninterrupted service for the purposes of this subdivision means a period of covered teaching service during which the member has not been separated from active service for more than one fiscal year.

(c) In no case shall the annuity payable under this subdivision be less than the amount of annuity payable pursuant to section 354.44, subdivision 6.

(d) The requirements and provisions for retirement before normal retirement age contained in section 354.44, subdivision 6, clause (3) or (5), shall also apply to an employee fulfilling the requirements with a combination of service as provided in section 354.60.

(e) The augmentation provided by this subdivision applies to the benefit provided in section 354.46, subdivision 2.

(f) The augmentation provided by this subdivision shall not apply to any period in which a person is on an approved leave of absence from an employer unit covered by the provisions of this chapter.

(g) The retirement annuity or disability benefit of, or the survivor benefit payable on behalf of, a former teacher who terminated service before July 1, 1997, which is not first payable until after June 30, 1997, must be increased on an actuarial equivalent basis to reflect the change in the postretirement interest rate actuarial assumption under section 356.215, subdivision 4d, from five percent to six percent under a calculation procedure and tables adopted by the board as recommended by an approved actuary and approved by the actuary retained by the legislative commission on pensions and retirement.

Sec. 55. [356.19] [RETIREMENT BENEFIT FORMULA PERCENTAGES.]

Subdivision 1. [COORDINATED PLAN MEMBERS.] The applicable benefit accrual rate is 1.2 percent.

Subd. 2. [COORDINATED PLAN MEMBERS.] The applicable benefit accrual rate is 1.7 percent.

Subd. 3. [BASIC PLAN MEMBERS.] The applicable benefit accrual rate is 2.2 percent.

Subd. 4. [BASIC PLAN MEMBERS.] The applicable benefit accrual rate is 2.7 percent.

Subd. 5. [CORRECTIONAL PLAN MEMBERS.] The applicable benefit accrual rate is 2.4 percent.

Subd. 6. [STATE TROOPERS PLAN AND POLICE/FIRE PLAN MEMBERS.] The applicable benefit accrual rate is 3.0 percent.

Subd. 7. [JUDGES PLAN.] The applicable benefit accrual rate is 2.7 percent.

Subd. 8. [JUDGES PLAN.] The applicable benefit accrual rate is 3.2 percent.

Subd. 9. [FUTURE BENEFIT ACCRUAL RATE INCREASES.] After January 2, 1998, benefit accrual rate increases under this section must apply only to allowable service or formula service rendered after the effective date of the benefit accrual rate increase.

Sec. 56. Minnesota Statutes 1996, section 356.20, subdivision 2, is amended to read:

Subd. 2. [COVERED PUBLIC PENSION FUNDS.] This section applies to the following public pension plans:

- (1) State employees retirement fund.
- (2) Public employees retirement fund.
- (3) Teachers retirement association.
- (4) State patrol retirement fund.
- (5) Minneapolis teachers retirement fund association.
- (6) St. Paul teachers retirement fund association.
- (7) Duluth teachers retirement fund association.
- (8) Minneapolis employees retirement fund.
- (9) University of Minnesota faculty retirement plan.
- (10) University of Minnesota faculty supplemental retirement plan.
- (11) Judges retirement fund.
- (12) Any police or firefighter's relief association enumerated in section 69.77, subdivision 1a or 69.771, subdivision 1.
- (13) Public employees police and fire fund.
- (14) Minnesota state retirement system correctional officers retirement fund.
- ~~(15) Public employees local government correctional service retirement plan.~~

Sec. 57. Minnesota Statutes 1996, section 356.215, subdivision 2, is amended to read:

Subd. 2. [REQUIREMENTS.] (a) It is the policy of the legislature that it is necessary and appropriate to determine annually the financial status of tax supported retirement and pension plans for public employees. To achieve this goal, the legislative commission on pensions and retirement shall have prepared by the actuary retained by the commission annual actuarial valuations of the retirement plans enumerated in section 3.85, subdivision 11, paragraph (b), and

quadrennial experience studies of the retirement plans enumerated in section 3.85, subdivision 11, paragraph (b), clauses (1), (2), and (7), and, two years after each set of quadrennial experience studies, quadrennial projection valuations of the retirement plans enumerated in section 3.85, subdivision 11, paragraph (b), clauses (1), (2), and (7), and of any other retirement plan enumerated in section 3.85, subdivision 11, paragraph (b), for which it determines that the analysis is beneficial. The governing or managing board or administrative officials of each public pension and retirement fund or plan enumerated in section 356.20, subdivision 2, clauses (9), (10), and (12), shall have prepared by an approved actuary annual actuarial valuations of their respective funds as provided in this section. This requirement also applies to any fund that is the successor to any organization enumerated in section 356.20, subdivision 2, or to the governing or managing board or administrative officials of any newly formed retirement fund or association operating under the control or supervision of any public employee group, governmental unit, or institution receiving a portion of its support through legislative appropriations, and any local police or fire fund coming within the provisions of section 356.216.

(b) The quadrennial projection valuations required under paragraph (a) are intended to serve as an additional analytical tool with which policy makers may assess the future funding status of public plans through forecasting and testing various potential outcomes over time if certain plan assumptions or valuation methods were to be modified. In consultation with the executive director of the legislative commission on pensions and retirement, the retirement fund directors, the state economist, the state demographer, the commissioner of finance, and the commissioner of employee relations, the actuary retained by the legislative commission on pensions and retirement shall perform the quadrennial projection valuations, testing future implications for plan funding by modifying assumptions and methods currently in place. The commission-retained actuary shall provide advice to the commission as to the periods over which such projections should be made, the nature and scope of the scenarios to be analyzed, the measures of funding status to be employed, and shall report the results of these analyses in the same manner as for quadrennial experience studies.

Sec. 58. Minnesota Statutes 1996, section 356.215, subdivision 4d, is amended to read:

Subd. 4d. [INTEREST AND SALARY ASSUMPTIONS.] (a) For funds governed by ~~chapters chapter 352B, 353C,~~ and by sections 352.90 through 352.951 and 353.63 through 353.68, the actuarial valuation must use a preretirement interest assumption of 8.5 percent, a postretirement interest assumption of ~~five~~ six percent, and a future salary increase assumption of 6.5 percent.

(b) For funds governed by chapter 354A, the actuarial valuation must use preretirement and postretirement assumptions of 8.5 percent and a future salary increase assumption of 6.5 percent, but the actuarial valuation must reflect the payment of postretirement adjustments to retirees, based on the methods specified in the bylaws of the fund as approved by the legislature. For a fund governed by chapter 422A, the actuarial valuation shall use a preretirement interest assumption of six percent, a postretirement interest assumption of five percent, and an assumption that in each future year the salary on which a retirement or other benefit is based is 1.04 multiplied by the salary for the preceding year.

(c) For all other funds not specified in paragraph (a), (b), (d), or (e), the actuarial valuation must use a preretirement interest assumption of five percent, a postretirement interest assumption of five percent, and a future salary increase assumption of 3.5 percent.

(d) For funds governed by chapters 3A, 352C, and 490, the actuarial valuation must use a preretirement interest assumption of 8.5 percent, a postretirement interest assumption of ~~five~~ six percent, and a future salary increase assumption of 6.5 percent in each future year in which the salary amount payable is not determinable from section 3.099, 15A.081, subdivision 6, or 15A.083, subdivision 1, whichever applies, or from applicable compensation council recommendations under section 15A.082.

(e) For funds governed by sections 352.01 through 352.86, 353.01 through 353.46, and chapter 354, the actuarial valuation must use a preretirement interest assumption of 8.5, a postretirement interest assumption of ~~five~~ six percent, and a graded rate future salary increase assumption as follows:

Age	General state	General public	Teachers
	employees retirement plan	employees retirement plan	retirement plan
16	7.2500%	8.71%	7.25%
17	7.2500	8.71	7.25
18	7.2500	8.70	7.25
19	7.2500	8.70	7.25
20	7.2500	7.70	7.25
21	7.1454	7.70	7.25
22	7.1094	7.70	7.25
23	7.0725	7.70	7.20
24	7.0363	7.70	7.15
25	7.0000	7.60	7.10
26	7.0000	7.51	7.05
27	7.0000	7.39	7.00
28	7.0000	7.30	7.00
29	7.0000	7.20	7.00
30	7.0000	7.20	7.00
31	7.0000	7.10	7.00
32	7.0000	7.10	7.00
33	7.0000	7.00	7.00
34	7.0000	7.00	7.00
35	7.0000	6.90	7.00
36	6.9019	6.80	7.00
37	6.8074	6.70	7.00
38	6.7125	6.60	6.90
39	6.6054	6.50	6.80
40	6.5000	6.40	6.70
41	6.3540	6.30	6.60
42	6.2087	6.30	6.50
43	6.0622	6.30	6.35
44	5.9048	6.20	6.20
45	5.7500	6.20	6.05
46	5.6940	6.09	5.90
47	5.6375	6.00	5.75
48	5.5822	5.90	5.70
49	5.5405	5.80	5.65

50	5.5000	5.70	5.60
51	5.4384	5.70	5.55
52	5.3776	5.70	5.50
53	5.3167	5.70	5.45
54	5.2826	5.70	5.40
55	5.2500	5.70	5.35
56	5.2500	5.70	5.30
57	5.2500	5.70	5.25
58	5.2500	5.70	5.25
59	5.2500	5.70	5.25
60	5.2500	5.00	5.25
61	5.2500	5.00	5.25
62	5.2500	5.00	5.25
63	5.2500	5.00	5.25
64	5.2500	5.00	5.25
65	5.2500	5.00	5.25
66	5.2500	5.00	5.25
67	5.2500	5.00	5.25
68	5.2500	5.00	5.25
69	5.2500	5.00	5.25
70	5.2500	5.00	5.25

Sec. 59. Minnesota Statutes 1996, section 356.215, subdivision 4g, is amended to read:

Subd. 4g. [AMORTIZATION CONTRIBUTIONS.] (a) In addition to the exhibit indicating the level normal cost, the actuarial valuation must contain an exhibit indicating the additional annual contribution sufficient to amortize the unfunded actuarial accrued liability. For funds governed by chapters 3A, 352, 352B, 352C, 353, ~~353C~~, 354, 354A, and 490, the additional contribution must be calculated on a level percentage of covered payroll basis by the established date for full funding in effect when the valuation is prepared. For funds governed by chapter 3A, sections 352.90 through 352.951, chapters 352B, 352C, sections 353.63 through 353.68, and chapters 353C, 354A, and 490, the level percent additional contribution must be calculated assuming annual payroll growth of 6.5 percent. For funds governed by sections 352.01 through 352.86 and chapter 354, the level percent additional contribution must be calculated assuming an annual payroll growth of five percent. For the fund governed by sections 353.01 through 353.46, the level percent additional contribution must be calculated assuming an annual payroll growth of six percent. For all other funds, the additional annual contribution must be calculated on a level annual dollar amount basis.

(b) For any fund other than the Minneapolis employees retirement fund, after the first actuarial valuation date occurring after June 1, 1989, if there has not been a change in the actuarial assumptions used for calculating the actuarial accrued liability of the fund, a change in the benefit plan governing annuities and benefits payable from the fund, a change in the actuarial cost method used in calculating the actuarial accrued liability of all or a portion of the fund, or a combination of the three, which change or changes by themselves without inclusion of any other items of increase or decrease produce a net increase in the unfunded actuarial accrued liability of the fund, the established date for full funding for the first actuarial valuation made after June 1, 1989, and each successive actuarial valuation is the first actuarial valuation date occurring after June 1, 2020.

(c) For any fund or plan other than the Minneapolis employees retirement fund, after the first actuarial valuation date occurring after June 1, 1989, if there has been a change in any or all of the actuarial assumptions used for calculating the actuarial accrued liability of the fund, a change in the benefit plan governing annuities and benefits payable from the fund, a change in the actuarial cost method used in calculating the actuarial accrued liability of all or a portion of the fund, or a combination of the three, and the change or changes, by themselves and without inclusion of any other items of increase or decrease, produce a net increase in the unfunded actuarial accrued liability in the fund, the established date for full funding must be determined using the following procedure:

(i) the unfunded actuarial accrued liability of the fund must be determined in accordance with the plan provisions governing annuities and retirement benefits and the actuarial assumptions in effect before an applicable change;

(ii) the level annual dollar contribution or level percentage, whichever is applicable, needed to amortize the unfunded actuarial accrued liability amount determined under item (i) by the established date for full funding in effect before the change must be calculated using the interest assumption specified in subdivision 4d in effect before the change;

(iii) the unfunded actuarial accrued liability of the fund must be determined in accordance with any new plan provisions governing annuities and benefits payable from the fund and any new actuarial assumptions and the remaining plan provisions governing annuities and benefits payable from the fund and actuarial assumptions in effect before the change;

(iv) the level annual dollar contribution or level percentage, whichever is applicable, needed to amortize the difference between the unfunded actuarial accrued liability amount calculated under item (i) and the unfunded actuarial accrued liability amount calculated under item (iii) over a period of 30 years from the end of the plan year in which the applicable change is effective must be calculated using the applicable interest assumption specified in subdivision 4d in effect after any applicable change;

(v) the level annual dollar or level percentage amortization contribution under item (iv) must be added to the level annual dollar amortization contribution or level percentage calculated under item (ii);

(vi) the period in which the unfunded actuarial accrued liability amount determined in item (iii) is amortized by the total level annual dollar or level percentage amortization contribution computed under item (v) must be calculated using the interest assumption specified in subdivision 4d in effect after any applicable change, rounded to the nearest integral number of years, but not to exceed 30 years from the end of the plan year in which the determination of the established date for full funding using the procedure set forth in this clause is made and not to be less than the period of years beginning in the plan year in which the determination of the established date for full funding using the procedure set forth in this clause is made and ending by the date for full funding in effect before the change; and

(vii) the period determined under item (vi) must be added to the date as of which the actuarial valuation was prepared and the date obtained is the new established date for full funding.

(d) For the Minneapolis employees retirement fund, the established date for full funding is June 30, 2020.

(e) For the public employees retirement association police and fire fund plan, the correctional employees retirement plan of the Minnesota state retirement system, and the state patrol retirement plan, an excess of valuation assets over actuarial accrued liability will must be amortized in the same manner over the same period as an unfunded actuarial accrued liability but will must serve to reduce the required contribution instead of increasing it.

Sec. 60. Minnesota Statutes 1996, section 356.217, is amended to read:

356.217 [MODIFICATIONS IN ACTUARIAL SERVICES.]

~~(a) The actuary retained by the legislative commission on pensions and retirement is not required to prepare actuarial valuations of the public employees local government correctional employees retirement plan unless the plan is implemented by a county under section 353C.04.~~

~~(b)~~ The cost of any requested benefit projections by the commission-retained actuary relating to the Minnesota postretirement investment fund for the state board of investment is payable by the state board of investment.

~~(e)~~ (b) Actuarial valuations under section 356.215, for July 1, 1991, and thereafter, are not required to have an individual commentary section. The commentary section, if omitted from the individual plan actuarial valuation, must be included in an appropriate generalized format as part of the report to the legislature under section 3.85, subdivision 11.

~~(d)~~ (c) Actuarial valuations under section 356.215, for July 1, 1991, and thereafter, are not required to contain separate actuarial valuation results for basic and coordinated programs unless each program has a membership of at least ten percent of the total membership of the fund. Actuarial valuations under section 356.215, for July 1, 1991, and thereafter, are not required to contain cash flow forecasts.

~~(e)~~ (d) Actuarial valuations of the public employees police and fire fund local consolidation accounts for July 1, 1991, and thereafter, are not required to contain separate tabulations or summaries of active member, service retirement, disability retirement, and survivor data for each local consolidation account.

~~(f)~~ (e) The commission-retained actuary is:

(1) required to publish experience findings for plans for which experience findings are required only on a quadrennial basis for the four-year period ending June 30, 1992, and every four years thereafter;

(2) not required to prepare a separate experience analysis or publish separate experience findings for basic and coordinated programs if separate actuarial valuation results for the programs are not required; and

(3) not required to calculate investment rate of return experience results on any basis other than current asset value as defined in section 356.215, subdivision 1, clause (6).

Sec. 61. Minnesota Statutes 1996, section 356.30, subdivision 1, is amended to read:

Subdivision 1. [ELIGIBILITY; COMPUTATION OF ANNUITY.] (1) Notwithstanding any provisions to the contrary of the laws governing the funds enumerated in subdivision 3, a person who has met the qualifications of clause (2) may elect to receive a retirement annuity from each fund in which the person has at least six months allowable service, based on the allowable service in each fund, subject to the provisions of clause (3).

(2) A person may receive upon retirement a retirement annuity from each fund in which the person has at least six months allowable service, and augmentation of a deferred annuity calculated under the laws governing each public pension plan or fund named in subdivision 3, from the date the person terminated all public service if:

(a) the person has allowable service totaling an amount that allows the person to receive an annuity in any two or more of the enumerated funds; and

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

(3) The retirement annuity from each fund must be based upon the allowable service in each fund, except that:

(a) The laws governing annuities must be the law in effect on the date of termination from the

last period of public service under a covered fund with which the person earned a minimum of one-half year of allowable service credit during that employment.

(b) The "average salary" on which the annuity from each covered fund in which the employee has credit in a formula plan shall be based on the employee's highest five successive years of covered salary during the entire service in covered funds.

(c) The formula percentages to be used by each fund must be those percentages prescribed by each fund's formula as continued for the respective years of allowable service from one fund to the next, recognizing all previous allowable service with the other covered funds.

(d) Allowable service in all the funds must be combined in determining eligibility for and the application of each fund's provisions in respect to actuarial reduction in the annuity amount for retirement prior to normal retirement.

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

(f) This section shall not apply to any person whose final termination from the last public service under a covered fund is prior to May 1, 1975.

(g) For the purpose of computing annuities under this section the formula percentages used by any covered fund, ~~except the basic program of the teachers retirement association, the public employees police and fire fund, and the state patrol retirement fund, must not exceed 2-1/2 the percent specified in section 356.19, subdivision 4, per year of service for any year of service or fraction thereof. The formula percentage used by the public employees police and fire fund and the state patrol retirement fund must not exceed 2.65 the percent specified in section 356.19, subdivision 6, per year of service for any year of service or fraction thereof. The formula percentage used by the teachers retirement association must not exceed 2.63 percent per year of basic program service for any year of basic program service or fraction thereof. The formula percentage used by the legislators retirement plan and the elective state officers retirement must not exceed 2.5 percent, but this limit does not apply to the adjustment provided under section 3A.02, subdivision 1, paragraph (c), or 352C.031, paragraph (b).~~

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

(i) If the period of duplicated service credit is more than six months, or the person has credit for more than six months with each of the funds, each fund shall apply its formula to a prorated service credit for the period of duplicated service based on a fraction of the salary on which deductions were paid to that fund for the period divided by the total salary on which deductions were paid to all funds for the period.

(j) If the period of duplicated service credit is less than six months, or when added to other service credit with that fund is less than six months, the service credit must be ignored and a refund of contributions made to the person in accord with that fund's refund provisions.

Sec. 62. Minnesota Statutes 1996, section 356.30, subdivision 3, is amended to read:

Subd. 3. [COVERED FUNDS.] This section applies to the following retirement funds:

- (1) state employees retirement fund, established pursuant to chapter 352;
- (2) correctional employees retirement program, established pursuant to chapter 352;
- (3) unclassified employees retirement plan, established pursuant to chapter 352D;
- (4) state patrol retirement fund, established pursuant to chapter 352B;
- (5) legislators' retirement plan, established pursuant to chapter 3A;

- (6) elective state officers' retirement plan, established pursuant to chapter 352C;
- (7) public employees retirement association, established pursuant to chapter 353;
- (8) public employees police and fire fund, established pursuant to chapter 353;
- (9) teachers retirement association, established pursuant to chapter 354;
- (10) Minneapolis employees retirement fund, established pursuant to chapter 422A;
- (11) Minneapolis teachers retirement fund association, established pursuant to chapter 354A;
- (12) St. Paul teachers retirement fund association, established pursuant to chapter 354A;
- (13) Duluth teachers retirement fund association, established pursuant to chapter 354A;
- ~~(14) public employees local government correctional service retirement plan established by sections 353C.01 to 353C.10; and~~
- (15) (14) judges' retirement fund, established by sections 490.121 to 490.132.

Sec. 63. Minnesota Statutes 1996, section 356.32, subdivision 2, is amended to read:

Subd. 2. [COVERED FUNDS.] The provisions of this section shall apply to the following retirement funds:

- (1) state employees retirement fund, established pursuant to chapter 352;
- (2) correctional employees retirement program, established pursuant to chapter 352;
- (3) state patrol retirement fund, established pursuant to chapter 352B;
- (4) public employees retirement fund, established pursuant to chapter 353;
- (5) public employees police and fire fund, established pursuant to chapter 353;
- (6) teachers retirement association, established pursuant to chapter 354;
- (7) Minneapolis employees retirement fund, established pursuant to chapter 422A;
- (8) Duluth teachers retirement fund association, established pursuant to chapter 354A;
- (9) Minneapolis teachers retirement fund association, established pursuant to chapter 354A; and
- (10) St. Paul teachers retirement fund association, established pursuant to chapter 354A;
- ~~(11) public employees local government correctional service retirement plan established by sections 353B.01 to 353B.10.~~

Sec. 64. Minnesota Statutes 1996, section 422A.06, subdivision 8, is amended to read:

Subd. 8. [RETIREMENT BENEFIT FUND.] (a) The retirement benefit fund shall consist of amounts held for payment of retirement allowances for members retired pursuant to this chapter.

(b) Assets equal to the required reserves for retirement allowances pursuant to this chapter determined in accordance with the appropriate mortality table adopted by the board of trustees based on the experience of the fund as recommended by the commission-retained actuary shall be transferred from the deposit accumulation fund to the retirement benefit fund as of the last business day of the month in which the retirement allowance begins. The income from investments of these assets shall be allocated to this fund. There shall be paid from this fund the retirement annuities authorized by law. A required reserve calculation for the retirement benefit fund must be made by the actuary retained by the legislative commission on pensions and retirement and must be certified to the retirement board by the commission-retained actuary.

(c) The retirement benefit fund shall be governed by the applicable laws governing the accounting and audit procedures, investment, actuarial requirements, calculation and payment of postretirement benefit adjustments, discharge of any deficiency in the assets of the fund when compared to the actuarially determined required reserves, and other applicable operations and procedures regarding the Minnesota postretirement investment fund in effect on June 30, 1997, established pursuant to under Minnesota Statutes 1996, section 11A.18, and any legal or administrative interpretations of those laws of the state board of investment, the legal advisor to the board of investment and the executive director of the state board of investment in effect on June 30, 1997. If a deferred yield adjustment account is established for the Minnesota postretirement investment fund before June 30, 1997, under Minnesota Statutes 1996, section 11A.18, subdivision 5, the retirement board shall also establish and maintain a deferred yield adjustment account within this fund.

(d) Annually, following the calculation of any postretirement adjustment payable from the retirement benefit fund, the board of trustees shall submit a report to the executive director of the legislative commission on pensions and retirement and to the commissioner of finance indicating the amount of any postretirement adjustment and the underlying calculations on which that postretirement adjustment amount is based, including the amount of dividends, the amount of interest, and the amount of net realized capital gains or losses utilized in the calculations.

(e) With respect to a former contributing member who began receiving a retirement annuity or disability benefit under section 422A.151, paragraph (a), clause (2), after June 30, 1997, or with respect to a survivor of a former contributing member who began receiving a survivor benefit under section 422A.151, paragraph (a), clause (2), after June 30, 1997, the reserves attributable to the one percent lower amount of the cost-of-living adjustment payable to those annuity or benefit recipients annually must be transferred back to the deposit accumulation fund to the credit of the metropolitan airports commission. The calculation of this annual reduced cost-of-living adjustment reserve transfer must be reviewed by the actuary retained by the legislative commission on pensions and retirement.

Sec. 65. Minnesota Statutes 1996, section 422A.151, is amended to read:

422A.151 [ALTERNATIVE CALCULATION OF ANNUITY.]

(a) In the case of a contributing member of the Minneapolis employees retirement fund who is employed as a licensed peace officer or firefighter with the metropolitan airports commission and who retires, becomes disabled within the meaning of section 422A.18, or dies, the retirement, disability, or survivor allowance is equal to the higher of the following:

(1) the retirement, disability, or survivor allowance calculated for the person under the applicable provisions of the Minneapolis employees retirement fund; or

(2) the retirement, disability, or survivor benefit that the person would be entitled to upon meeting the applicable age and allowable service requirements of section 353.651, 353.656, or 353.657 if all employment as a licensed peace officer or firefighter with the metropolitan airports commission had been allowable service under the public employees retirement association police and fire fund, instead of being covered by the Minneapolis employees retirement fund. In computing the alternative benefit under section 353.651, 353.656, or 353.657, the applicable definitions and related provisions of chapter 353 must be used.

A firefighter or licensed peace officer terminating employment by the metropolitan airports commission after June 30, 1997, or the survivor of a deceased firefighter or licensed peace officer terminating employment by the metropolitan airports commission after June 30, 1997, under section 353.651, 353.656, or 353.657, shall receive a one percent lower cost-of-living adjustment than otherwise payable under section 422A.06, subdivision 5. If the cost-of-living adjustment payable under section 422A.06, subdivision 5, is less than one percent, the firefighter or licensed peace officer who retired after June 30, 1997, must not have a reduction in the previously received annuity or benefit amount, but future cost-of-living adjustments must be modified equal to the percentage the benefit would have been reduced below the person's current annuity or benefit amount to reflect the one percent lower cost-of-living adjustment under section 422A.06, subdivision 5.

(b) If a contributing member under paragraph (a) has periods of coverage by the Minneapolis employees retirement fund that include service other than employment as a licensed peace officer or firefighter as well as employment as a licensed peace officer or firefighter, the calculation of the benefit under paragraph (a), clause (2), may only utilize service as a licensed peace officer or firefighter employed by the metropolitan airports commission.

Sec. 66. Minnesota Statutes 1996, section 490.124, subdivision 1, is amended to read:

Subdivision 1. [BASIC RETIREMENT ANNUITY.] Except as qualified hereinafter from and after mandatory retirement date, normal retirement date, early retirement date, or one year from the disability retirement date, as the case may be, a retirement annuity shall be payable to a retiring judge from the judges' retirement fund in an amount equal to: (1) 2-1/2 the percent of specified in section 356.19, subdivision 7, multiplied by the judge's final average compensation multiplied by the number of years and fractions of years of allowable service rendered prior to July 1, 1980; plus (2) three the percent of specified in section 356.19, subdivision 8, multiplied by the judge's final average compensation multiplied by the number of years and fractions of years of allowable service rendered after June 30, 1980; provided that the annuity shall must not exceed 65 70 percent of the judge's annual salary for the 12 months immediately preceding retirement.

Sec. 67. Minnesota Statutes 1996, section 490.124, subdivision 5, is amended to read:

Subd. 5. [DEFERRED BENEFITS.] (a) Any benefit to which a judge is entitled under this section may be deferred until early or normal retirement date, notwithstanding termination of such judge's service prior thereto.

(b) The retirement annuity of, or the survivor benefit payable on behalf of, a former judge, who terminated service before July 1, 1997, which is not first payable until after June 30, 1997, must be increased on an actuarial equivalent basis to reflect the change in the postretirement interest rate actuarial assumption under section 356.215, subdivision 4d, from five percent to six percent under a calculation procedure and tables adopted by the board of directors of the Minnesota state retirement system and approved by the actuary retained by the legislative commission on pensions and retirement.

Sec. 68. Laws 1996, chapter 448, article 1, section 3, is amended to read:

Sec. 3. [EFFECTIVE DATE.]

(a) Sections 1 and 2 are effective on the day following approval by the Itasca county board and compliance with Minnesota Statutes, section 645.021.

(b) Notwithstanding Minnesota Statutes, section 645.021, the approval and compliance required by paragraph (a) is effective if accomplished before January 1, 1999.

Sec. 69. [APPROPRIATIONS; DEPARTMENT OF CORRECTIONS AND LEGISLATIVE COMMISSION ON PENSIONS AND RETIREMENT.]

(a) \$900,000 in fiscal year 1998 and \$900,000 in fiscal year 1999 is appropriated from the general fund to the commissioner of corrections. The commissioner of finance shall include this amount in the base budget for the agency when developing the governor's budget recommendations for the biennium ending June 30, 2001.

(b) For fiscal year 1999, \$50,000 is appropriated to the legislative coordinating commission for allocation to the legislative commission on pensions and retirement.

Sec. 70. [APPROPRIATION REDUCTION.]

Subdivision 1. [REDUCTIONS BY RETIREMENT PLAN AND EMPLOYER.] In fiscal years 1998 and 1999, the commissioner of finance shall reduce allotments and cancel to the general fund the amounts determined by multiplying the general fund supported salaries of employees who are members of the teachers retirement association according to clauses (1) and (2), and for employees who are members of the general state employees retirement plan of the Minnesota state retirement system according to clauses (3), (4), and (5):

- (1) 0.90 percent for the Minnesota state colleges and universities;
- (2) 1.50 percent for all agencies other than the Minnesota state colleges and universities
- (3) 0.20 percent for all agencies other than the Minnesota state colleges and universities and the university of Minnesota;
- (4) 0.12 percent for the Minnesota state colleges and universities;
- (5) 0.0728 percent for the university of Minnesota.

Subd. 2. [APPROPRIATION REDUCTIONS APPLIED TO BASE BUDGETS.] The commissioner of finance shall include the reductions under subdivision 1 when developing the base budgets for all affected organizations as submitted with the governor's recommended budget for the biennium ending June 30, 2001.

Subd. 3. [PROJECTED SAVINGS.] For the biennium ending June 30, 1999, the projected general fund savings attributable to the reductions under subdivision 1 are as follows:

	<u>fiscal year</u>	
	<u>1998</u>	<u>1999</u>
<u>subdivision 1, clauses (1) and (2)</u>	<u>\$1,937,000</u>	<u>\$2,053,000</u>
<u>subdivision 1, clauses (3)</u>	<u>\$1,162,000</u>	<u>\$1,233,000</u>
<u>subdivision 1, clauses (4) and (5)</u>	<u>\$ 480,000</u>	<u>\$ 509,000</u>

Sec. 71. [APPROPRIATION]

For the fiscal years ending June 30, 1998, and June 30, 1999, the amounts transferred under section 13 to funds and accounts from which the salaries of peace officers employed by the department of natural resources are paid are appropriated from those funds and accounts to the commissioner of natural resources to assist in making the employer contributions to the state patrol retirement plan under Minnesota Statutes, section 352B.02, subdivision 1c. Notwithstanding section 13, for fiscal years 1998 and 1999, amounts transferred to the general fund for peace officers employed by the department of natural resources do not cancel but are appropriated to the commissioner of natural resources to assist in making employer contributions to the state patrol retirement plan. The amounts appropriated in this section must be included in the department's budgetary base for the next biennium.

Sec. 72. [PERMANENT INCREASE FOR BENEFIT RECIPIENTS.]

A monthly survivor, disability, or retirement benefit paid under Minnesota Statutes, chapters 3A, 352, 352B, 352C, 352D, 353, 353A, 354, and 490 on June 30, 1997, is permanently increased effective July 1, 1997, to reflect the change in the postretirement fund interest assumption from five percent to six percent. The benefit payable under the six percent postretirement interest assumption must be actuarially equivalent to the benefit payable under the five percent interest assumption and must be based on tables adopted by the applicable board and approved by the actuary retained by the legislative commission on pensions and retirement.

Sec. 73. [ALTERNATIVE BENEFIT ADJUSTMENTS.]

If the permanent increase under section 71, along with the annual cost-of-living adjustments paid during the ten years after the effective date of this section averages less than inflation as measured by the Consumer Price Index or 3.5 percent, whichever is lower, the executive directors of the teachers retirement association, public employees retirement association, and the Minnesota state retirement system shall suggest alternative benefit adjustments for retirees receiving benefits on June 30, 1997, who exceed their life expectancy by three or more years.

Sec. 74. [MANDATED PENSION COMMISSION STUDY; DISPOSITION OF PERA-P&F CONSOLIDATION ACCOUNTS.]

(a) The legislative commission on pensions and retirement, in consultation with the affected constituencies, shall study the advantages and disadvantages of the blending of some or all local police and salaried firefighter consolidation accounts into the public employees police and fire retirement plan established under Minnesota Statutes, sections 353.63 to 353.68.

(b) The report must be transmitted on or before January 31, 1998, to the chair of the committee on governmental operations and veterans of the senate, the chair of the governmental operations budget division of the senate, the chair of the committee on governmental operations of the house of representatives, and the chair of the state government finance division of the house of representatives.

Sec. 75. [MANDATED PENSION COMMISSION STUDY; FIRST CLASS CITY TEACHER RETIREMENT FUND CONSOLIDATION OPTIONS.]

(a) The legislative commission on pensions and retirement, in consultation with the affected constituencies, shall study the advantages and disadvantages of the restructuring or the consolidation of the first class city teacher retirement fund associations and the statewide teachers retirement association. In its deliberations, the commission shall review the future state funding needs of the Minneapolis employees retirement fund and other applicable state pension funding resources.

(b) The report must be transmitted on or before January 31, 1998, to the chair of the committee on governmental operations and veterans of the senate, the chair of the governmental operations budget division of the senate, the chair of the committee on governmental operations of the house of representatives, and the chair of the state governmental finance division of the house of representatives.

Sec. 76. [TERMINATION DATE; CERTAIN TEACHERS.]

Notwithstanding Minnesota Statutes, section 354.44, subdivision 4, for purposes of eligibility for retirement benefits from the teachers retirement association, the termination date of a teacher terminating active teaching service at the end of the school year in a school where the school year was disrupted or extended by flooding during the first half of calendar year 1997 or by fire damage or fire loss to school buildings or facilities during the 1996-1997 school year must be determined by the closing date of the school calendar in effect immediately before the flooding or in effect immediately before the fire.

Sec. 77. [POLICE STATE AID ADJUSTMENT.]

The legislature determines that the total employer contributions paid to the public employees police and fire fund for calendar year 1995, as certified to the commissioner of revenue by the public employees retirement association in August 1996 for determining the amount of police state aid to be distributed in September 1996, were overstated for some of the counties and cities and understated for other counties and cities. The executive director of the public employees retirement association shall certify to the commissioner of revenue the amount of the overstated or understated 1995 calendar year employer contributions paid to the public employees police and fire fund by each county and city; and the commissioner of revenue shall adjust the October 1997 police state aid distributions by the applicable amount of overpaid or underpaid police state aid distributed in September 1996.

The estimated net adjustment for police state aid in the fiscal year ending June 30, 1998, is \$1,835,000. The expected net reduction to future police state aid expenditures resulting from this adjustment is 6.5 percent less each year.

Sec. 78. [REPEALER.]

(a) Minnesota Statutes 1996, sections 124.195, subdivision 12; 124.2139; 356.70; and 356.88, subdivision 2, are repealed.

(b) Minnesota Statutes 1996, sections 353C.01; 353C.02; 353C.03; 353C.04; 353C.05; 353C.06; 353C.07; 353C.08; 353C.09; and 353C.10, are repealed.

Sec. 79. [EFFECTIVE DATES.]

Sections 38 and 39 are effective the first full pay period after December 31, 1997. Sections 17, 18, 21, 22, 29, and 30 are effective the first full pay period after June 30, 1997. Sections 48, 49, and 50 are effective for all salary paid July 1, 1997, or later. Sections 1 to 16, 19, 20, 23 to 28, 31 to 36, 37, 40 to 47, 51 to 67, 69 to 75, 77, and 78 are effective July 1, 1997. Sections 68 and 76 are effective the day following final enactment.

ARTICLE 2

LEGISLATORS AND CONSTITUTIONAL OFFICERS

Section 1. Minnesota Statutes 1996, section 3A.07, is amended to read:

3A.07 [APPLICATION.]

(a) Except as provided in paragraph (b), this chapter applies to members of the legislature in service upon after July 1, 1965, or thereafter, who otherwise meet the requirements of this chapter.

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

(c) The post-July 1, 1998, coverage election under paragraph (b) is irrevocable and must be made on a form prescribed by the director.

Sec. 2. [352C.011] [APPLICABILITY.]

(a) Except as provided in paragraph (b), this chapter applies only to constitutional officers first elected before July 1, 1997, to a constitutional office.

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

(c) The post-July 1, 1998, coverage election under paragraph (b) is irrevocable and must be made on a form prescribed by the executive director of the Minnesota state retirement system.

Sec. 3. Minnesota Statutes 1996, section 352D.02, subdivision 1, is amended to read:

Subdivision 1. [COVERAGE.] (a) Employees enumerated in paragraph (b) (c), clauses 2, 3, 4, and 6 to 15, if they are in the unclassified service of the state or metropolitan council and are eligible for coverage under the general state employees retirement plan under chapter 352, are participants in the unclassified program under this chapter unless the employee gives notice to the executive director of the Minnesota state retirement system within one year following the commencement of employment in the unclassified service that the employee desires coverage under the general state employees retirement plan. For the purposes of this chapter, an employee who does not file notice with the executive director is deemed to have exercised the option to participate in the unclassified plan.

(b) Persons referenced in paragraph (c), clauses (1) and (5), are participants in the unclassified program under this chapter unless the person is eligible to elect different coverage under section 3A.07 or 352C.011 and, after July 1, 1998, elects retirement coverage by the applicable alternative retirement plan.

(c) Enumerated employees and referenced persons are:

(1) the governor, the lieutenant governor, the secretary of state, the state auditor, the state treasurer, and the attorney general;

(2) an employee in the office of the governor, lieutenant governor, secretary of state, state auditor, state treasurer, attorney general, or;

~~(3)~~ (3) an employee of the state board of investment;

~~(2)~~ (4) the head of a department, division, or agency created by statute in the unclassified service, an acting department head subsequently appointed to the position, or an employee enumerated in section 15A.081, subdivision 1 or 15A.083, subdivision 4;

~~(3)~~ (5) a member of the legislature;

~~(6)~~ (6) a permanent, full-time unclassified employee of the legislature or a commission or agency of the legislature or a temporary legislative employee having shares in the supplemental retirement fund as a result of former employment covered by this chapter, whether or not eligible for coverage under the Minnesota state retirement system;

~~(4)~~ (7) a person who is employed in a position established under section 43A.08, subdivision 1, clause ~~(3)~~, or in a position authorized under a statute creating or establishing a department or agency of the state, which is at the deputy or assistant head of department or agency or director level;

~~(5)~~ (8) the regional administrator, or executive director of the metropolitan council, general counsel, division directors, operations managers, and other positions as designated by the council, all of which may not exceed 27 positions at the council and the chair, provided that upon initial designation of all positions provided for in this clause, no further designations or redesignations may be made without approval of the board of directors of the Minnesota state retirement system;

~~(6)~~ (9) the executive director, associate executive director, and not to exceed nine positions of the higher education services office in the unclassified service, as designated by the higher education services office before January 1, 1992, or subsequently redesignated with the approval of the board of directors of the Minnesota state retirement system, unless the person has elected coverage by the individual retirement account plan under chapter 354B;

~~(7)~~ (10) the clerk of the appellate courts appointed under article VI, section 2, of the Constitution of the state of Minnesota;

~~(8)~~ (11) the chief executive officers of correctional facilities operated by the department of corrections and of hospitals and nursing homes operated by the department of human services;

~~(9)~~ (12) an employee whose principal employment is at the state ceremonial house;

~~(10)~~ (13) an employee of the Minnesota educational computing corporation;

~~(11)~~ (14) an employee of the world trade center board; and

~~(12)~~ (15) an employee of the state lottery board who is covered by the managerial plan established under section 43A.18, subdivision 3.

Sec. 4. Minnesota Statutes 1996, section 352D.02, subdivision 2, is amended to read:

Subd. 2. [COVERAGE UPON EMPLOYMENT CHANGE.] A person becoming a participant in the unclassified program by virtue of employment in a position specified in subdivision 1, clause ~~(2)~~ (4) and remaining in the unclassified service shall remain a participant in the program even though the position the person occupies is deleted from any of the sections referenced in subdivision 1, clause ~~(2)~~ (4) by subsequent amendment, except that a person shall not be eligible to elect the unclassified program after separation from unclassified service if on the return of the person to service, that position is not specified in subdivision 1, clause ~~(2)~~ (4). Any person employed in a position specified in subdivision 1 shall cease to participate in the unclassified program in the event the position is placed in the classified service.

Sec. 5. Minnesota Statutes 1996, section 352D.04, subdivision 1, is amended to read:

Subdivision 1. [INVESTMENT OPTIONS.] (a) ~~An employee~~ A person exercising an option to participate in the retirement program provided by this chapter may elect to purchase shares in one or a combination of the income share account, the growth share account, the international share

account, the money market account, the bond market account, the fixed interest account, or the common stock index account established in section 11A.17. The employee person may elect to participate in one or more of the investment accounts in the fund by specifying, on a form provided by the executive director, the percentage of the employee's person's contributions provided in subdivision 2 to be used to purchase shares in each of the accounts.

(b) A participant may indicate in writing on forms provided by the Minnesota state retirement system a choice of options for subsequent purchases of shares. Until a different written indication is made by the participant, the executive director shall purchase shares in the supplemental fund as selected by the participant. If no initial option is chosen, 100 percent income shares must be purchased for a participant. A change in choice of investment option is effective no later than the first pay date first occurring after 30 days following the receipt of the request for a change.

(c) Shares in the fixed interest account attributable to any guaranteed investment contract as of July 1, 1994, may not be withdrawn from the fund or transferred to another account until the guaranteed investment contract has expired, unless the participant qualifies for withdrawal under section 352D.05 or for benefit payments under sections 352D.06 to 352D.075.

(d) A participant or former participant may also change the investment options selected for all or a portion of the participant's shares previously purchased in accounts, subject to the provisions of paragraph (c) concerning the fixed interest account. Changes in investment options for the participant's shares must be effected as soon as cash flow to an account practically permits, but not later than six months after the requested change.

Sec. 6. Minnesota Statutes 1996, section 352D.04, subdivision 2, is amended to read:

Subd. 2. [CONTRIBUTION RATES.] (a) ~~The moneys money~~ is the employee and employer contributions provided in this subdivision.

~~(a)~~ (b) ~~The employee contribution shall be~~ is an amount equal to the employee contribution specified in section 352.04, subdivision 2.

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

~~(d)~~ These contributions ~~shall~~ must be made ~~by deduction from salary~~ in the manner provided in section 352.04, subdivisions 4, 5, and 6.

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

Sec. 7. [355.621] [LEGISLATORS AND CONSTITUTIONAL OFFICERS; SOCIAL SECURITY COVERAGE REFERENDUM.]

Subdivision 1. [DEFINITIONS GENERALLY.] For the purposes of sections 7 to 14, each of the terms defined in this section has the indicated meaning.

Subd. 2. [ENABLING ACT.] "Enabling act" means sections 355.01 to 355.07.

Subd. 3. [LEGISLATOR.] "Legislator" means a member of the legislature duly elected and sworn into office.

Subd. 4. [CONSTITUTIONAL OFFICER.] "Constitutional officer" means the governor, the lieutenant governor, the attorney general, the secretary of state, the state auditor, and the state treasurer duly elected and sworn into office.

Subd. 5. [ADDITIONAL TERMS.] The terms "social security act," "state agency," "employment," "wages," "contribution fund," "federal insurance contributions act," and "political subdivision" each have the meaning ascribed in the enabling act.

Sec. 8. [355.622] [REFERENDUM.]

Under the enabling act, the governor shall designate an agency or individual to supervise a referendum to be held after July 1, 1998, in accordance with provisions of section 218(d)(6)(c) of the Social Security Act, for legislators and for constitutional officers.

Sec. 9. [355.623] [NOTICE OF REFERENDUM.]

The notice of referendum required by section 218(d) of the Social Security Act that is to be provided to legislators and to constitutional officers must contain a statement of the rights which accrue under the Social Security Act. The statement must be in the form that the agency or individual designated to supervise the referendum deems necessary and sufficient to inform legislators and constitutional officers of their Social Security Act rights. The statement must also inform the legislators and constitutional officers of the effect that social security coverage will have on their future public retirement coverage.

Sec. 10. [355.624] [DIVISION OF THE LEGISLATORS RETIREMENT PLAN AND THE ELECTIVE STATE OFFICERS RETIREMENT PLAN.]

(a) In accord with section 218(d)(6)(c) of the Social Security Act, the state agency shall divide the legislators retirement plan into two parts or divisions and shall divide the elective state officers retirement plan into two parts or divisions.

(b) One division or part of the legislators retirement plan must be composed of legislators who desire coverage under an agreement under section 218(d) of the Social Security Act, and those legislators must have their future public pension plan coverage under chapter 352D. Also included in this division or part are legislators who are elected after July 1, 1997. The other division or part of the legislators retirement plan must be composed of legislators who do not desire coverage under an agreement under section 218(d) of the Social Security Act, and those legislators must have their future public pension plan coverage under chapter 3A.

(c) One division or part of the elective state officers retirement plan must be composed of constitutional officers who desire coverage under an agreement under section 218(d) of the Social Security Act, and those constitutional officers must have their future public pension plan coverage under chapter 352D. Also included in this division or part are constitutional officers who are elected after July 1, 1997. The other division or part of the elective state officers retirement plan must be composed of constitutional officers who do not desire coverage under an agreement under section 218(d) of the Social Security Act, and those constitutional officers must have their future public pension plan coverage under chapter 352C.

Sec. 11. [355.625] [TRANSFER OF MEMBERS.]

In accord with section 218(d)(6)(f) of the Social Security Act and when the legislators retirement plan or the elective state officers retirement plan, whichever applies, is divided into two parts or divisions, a legislator or constitutional officer who does not desire coverage under an agreement under section 218(d) of the Social Security Act may be transferred to the other part or division if the agreement with the federal Department of Health and Human Services so provides and if the legislator or constitutional officer files with the state agency a written request for the transfer.

Sec. 12. [355.626] [CERTIFICATION BY GOVERNOR.]

If the governor receives satisfactory evidence that the conditions specified in section 218(d)(7) of the Social Security Act have been met with respect to the legislators retirement plan or the elective state officers retirement plan, whichever applies, the governor shall so certify to the secretary of the federal Department of Health and Human Services.

Sec. 13. [355.627] [AGREEMENTS WITH FEDERAL AGENCY.]

Upon the governor's certification under section 12, the state agency, with the approval of the governor, is authorized after June 30, 1998, to enter into or modify an agreement with the

secretary of the federal Department of Health and Human Services with respect to legislators or constitutional officers, whichever applies.

Sec. 14. [355.628] [SOCIAL SECURITY CONTRIBUTIONS.]

Subdivision 1. [EMPLOYER CONTRIBUTIONS.] Employer contributions required under the agreement or modification under section 13 and payments required by section 355.49 must be paid by the senate, the house of representatives, or the relevant constitutional office, whichever applies.

Subd. 2. [EMPLOYEE CONTRIBUTIONS; DEDUCTION FROM WAGES.] (a) After the date on which the agreement or modification under section 13 is executed, there must be paid as a deduction from wages an employee contribution by legislators or constitutional officers in an amount equal to the tax that would be imposed by the Federal Insurance Contribution Act if the service constituted employment within the meaning of the act.

(b) Contributions made under this subdivision must be paid into the contribution fund in partial discharge of the employer liability for social security coverage.

(c) A failure to deduct employee contributions does not relieve the legislator or constitutional officer or the senate, the house of representatives, or the relevant constitutional office of the liability to make the contribution.

Sec. 15. [COVERAGE ELECTION.]

(a) Members of the legislature who were members of the legislators retirement plan on the effective date of this section and constitutional officers who were members of the elective state officers retirement plan on the effective date of this section may elect coverage by the unclassified employees retirement program governed by Minnesota Statutes, chapter 352D, instead of the prior retirement coverage, as part of the social security referendum under section 10.

(b) The election of a retirement coverage change applies only to prospective service as a member of the legislature or a constitutional officer. The election must be made in conjunction with the referendum selection under section 10. A member of the legislature or a constitutional officer who elects a retirement coverage change under this section is entitled to an augmented deferred retirement annuity under Minnesota Statutes, section 3A.02, subdivisions 1 and 4, or Minnesota Statutes, sections 352C.031 and 352C.033, whichever applies, notwithstanding any provision of law to the contrary.

(c) A member of the legislature or a constitutional officer who elects a retirement coverage change under this section is not entitled to a refund under Minnesota Statutes, section 3A.03, subdivision 2, or 352C.09, subdivision 2, whichever applies, until the person terminates service as a member of the legislature or a constitutional officer.

Sec. 16. [STUDY OF LEGISLATORS AND CONSTITUTIONAL OFFICER PENSION COVERAGE.]

Subdivision 1. [STUDY MANDATE.] The legislative commission on pensions and retirement shall study the issue of the appropriate pension coverage for legislators and for constitutional officers during the 1997-1998 interim.

Subd. 2. [STUDY CONTENTS.] At a minimum, the commission must study the following:

(1) the appropriate member contribution rates to the legislators retirement plan and the elective state officers retirement plan and their adequacy in funding the normal cost and administrative expenses of the applicable plan in comparison to other public pension plans;

(2) the appropriateness of including new legislators and constitutional officers and of including current legislators and constitutional officers in coverage by the social security program and the necessary adaptations to the defined contribution plan coverage established in section 3 and the legislators retirement plan established in Minnesota Statutes, chapter 3A, or the elective state officers retirement plan established in Minnesota Statutes, chapter 352C, to supplement that coverage; and

(3) the appropriateness of permitting current legislators and current constitutional officers to elect the defined contribution plan coverage established in section 3 for future service and the impact of the election on past service credit under Minnesota Statutes, chapter 3A, or Minnesota Statutes, chapter 352C.

Subd. 3. [STUDY PRINCIPLES.] The study must reflect the following principles:

(1) to the extent practicable, the public pension plan coverage to be provided to legislators and constitutional officers should match or parallel the pension coverage provided to legislative employees and agency heads;

(2) the public pension plan coverage to be provided to legislators and constitutional officers may appropriately reflect the part-time nature of legislative service for many legislators and the unique character of elected public service for other legislators and for constitutional officers; and

(3) the public pension coverage ultimately provided to legislators and constitutional officers should conform with the applicable provisions of the principles of pension policy of the commission.

Subd. 4. [STUDY RESULTS.] The results of the study should include any applicable proposed legislation, including, but not limited to, amending or repealing, in whole or in part, sections 1 to 15.

Subd. 5. [REPORT.] The study and any recommended proposed legislation must be reported to the 1998 legislative session.

Sec. 17. [EFFECTIVE DATE.]

Sections 1 to 6 and 16 are effective July 1, 1997. Sections 7 to 15 are effective July 1, 1998.

ARTICLE 3

FIRST CLASS CITY TEACHER RETIREMENT FUNDS

Section 1. Minnesota Statutes 1996, section 354A.011, subdivision 15a, is amended to read:

Subd. 15a. [NORMAL RETIREMENT AGE.] "Normal retirement age" means age 65 for a person who first became a member of the coordinated program of the Minneapolis or St. Paul teachers retirement fund association or the new law coordinated program of the Duluth teachers retirement fund association or a member of a pension fund listed in section 356.30, subdivision 3, before July 1, 1989. For a person who first became a member of the coordinated program of the Minneapolis or St. Paul teachers retirement fund association or the new law coordinated program of the Duluth teachers retirement fund association after June 30, 1989, normal retirement age means the higher of age 65 or retirement age, as defined in United States Code, title 42, section 416(1), as amended, but not to exceed age 66. For a person who is a member of the basic program of the Minneapolis or St. Paul teachers retirement fund association or the old law coordinated program of the Duluth teachers retirement fund association, normal retirement age means the age at which a teacher becomes eligible for a normal retirement annuity computed upon meeting the age and service requirements specified in the applicable provisions of the articles of incorporation or bylaws of the respective teachers retirement fund association.

Sec. 2. Minnesota Statutes 1996, section 354A.12, subdivision 1, is amended to read:

Subdivision 1. [EMPLOYEE CONTRIBUTIONS.] The contribution required to be paid by each member of a teachers retirement fund association shall not be less than the percentage of total salary specified below for the applicable association and program:

Association and Program	Percentage of Total Salary
Duluth teachers retirement association	

old law and new law coordinated programs	5.5 percent
Minneapolis teachers retirement association	
basic program	8.5 percent
coordinated program	4.5 <u>5.5</u> percent
St. Paul teachers retirement association	
basic program	8 percent
coordinated program	4.5 <u>5.5</u> percent

Contributions shall be made by deduction from salary and must be remitted directly to the respective teachers retirement fund association at least once each month.

Sec. 3. Minnesota Statutes 1996, section 354A.12, subdivision 2a, is amended to read:

Subd. 2a. [EMPLOYER REGULAR AND ADDITIONAL CONTRIBUTION RATES.] (a) The employing units shall make the following employer contributions to teachers retirement fund associations:

(1) for any coordinated member of a teachers retirement fund association in a city of the first class, the employing unit shall pay the employer social security taxes in accordance with section 355.46, subdivision 3, clause (b);

(2) for any coordinated member of one of the following teachers retirement fund associations in a city of the first class, the employing unit shall make a regular employer contribution to the respective retirement fund association in an amount equal to the designated percentage of the salary of the coordinated member as provided below:

Duluth teachers retirement fund association	4.50 percent
Minneapolis teachers retirement fund association	4.50 percent
St. Paul teachers retirement fund association	4.50 percent;

(3) for any basic member of one of the following teachers retirement fund associations in a city of the first class, the employing unit shall make a regular employer contribution to the respective retirement fund in an amount equal to the designated percentage of the salary of the basic member as provided below:

Minneapolis teachers retirement fund association	8.50 percent
St. Paul teachers retirement fund association	8.00 percent

(4) for a basic member of a teachers retirement fund association in a city of the first class, the employing unit shall make an additional employer contribution to the respective fund in an amount equal to the designated percentage of the salary of the basic member, as provided below:

Minneapolis teachers retirement fund association	
July 1, 1993 - June 30, 1994	4.85 percent

July 1, 1994, and thereafter	3.64 percent
St. Paul teachers retirement fund association	
July 1, 1993 - June 30, 1995	4.63 percent
July 1, 1995, and thereafter	3.64 percent

(5) for a coordinated member of a teachers retirement fund association in a city of the first class, the employing unit shall make an additional employer contribution to the respective fund in an amount equal to the applicable percentage of the coordinated member's salary, as provided below:

Duluth teachers retirement fund association	1.29 percent
Minneapolis teachers retirement fund association	
July 1, 1993 - June 30, 1994	0.50 percent
July 1, 1994, and thereafter	3.64 percent
St. Paul teachers retirement fund association	
July 1, 1993 - June 30, 1994	0.50 percent
July 1, 1994 - June 30, 1995	1.50 percent
July 1, 1995 <u>1997</u> , and thereafter	<u>3.64</u> 3.84 percent

(b) The regular and additional employer contributions must be remitted directly to the respective teachers retirement fund association at least once each month. Delinquent amounts are payable with interest under the procedure in subdivision 1a.

(c) Payments of regular and additional employer contributions for school district or technical college employees who are paid from normal operating funds must be made from the appropriate fund of the district or technical college.

Sec. 4. Minnesota Statutes 1996, section 354A.12, subdivision 3a, is amended to read:

Subd. 3a. [~~SPECIAL DIRECT STATE AID TO ST. PAUL FIRST CLASS CITY TEACHERS RETIREMENT FUND ASSOCIATION ASSOCIATIONS.~~] (a) ~~In fiscal year 1998, the state shall pay \$4,827,000 to the St. Paul teachers retirement fund association \$500,000 in fiscal year 1994, \$17,954,000 to the Minneapolis teachers retirement fund association, and \$486,000 to the Duluth teachers retirement fund association. In each subsequent fiscal year, the payment these payments to the St. Paul first class city teachers retirement fund association associations must be increased at the same rate as the increase in the general education revenue formula allowance under section 124A.22, subdivision 2, in subsequent fiscal years \$2,827,000 for St. Paul, \$12,954,000 for Minneapolis, and \$486,000 for Duluth.~~

(b) ~~The direct state aid is aids under this subdivision are payable October 1 annually. The commissioner of finance shall pay the direct state aid. The amount required under this subdivision is appropriated annually from the general fund to the commissioner of finance.~~

Sec. 5. Minnesota Statutes 1996, section 354A.12, subdivision 3b, is amended to read:

Subd. 3b. [~~SPECIAL DIRECT STATE MATCHING AID TO THE MINNEAPOLIS TEACHERS RETIREMENT FUND ASSOCIATION.~~] (a) Special school district No. 1 may

make an additional employer contribution to the Minneapolis teachers retirement fund association. The city of Minneapolis may make a contribution to the Minneapolis teachers retirement fund association. This contribution may be made by a levy of the board of estimate and taxation of the city of Minneapolis, and the levy, if made, is classified as that of a special taxing district for purposes of sections 275.065 and 276.04, and for all other property tax purposes.

(b) For every \$1,000 contributed in equal proportion by special school district No. 1 and by the city of Minneapolis to the Minneapolis teachers retirement fund association under paragraph (a), the state shall pay to the Minneapolis teachers retirement fund association \$1,000, but not to exceed \$2,500,000 in total in fiscal year 1994. ~~The total amount available for each subsequent fiscal year must be increased at the same rate as the increase in the general education revenue formula allowance under section 124A.22, subdivision 2, in subsequent fiscal years.~~ The superintendent of special school district No. 1, the mayor of the city of Minneapolis, and the executive director of the Minneapolis teachers retirement fund association shall jointly certify to the commissioner of finance the total amount that has been contributed by special school district No. 1 and by the city of Minneapolis to the Minneapolis teachers retirement fund association. Any certification to the commissioner of children, families, and learning must be made quarterly. If the total certifications for a fiscal year exceed the maximum annual direct state matching aid amount in any quarter, the amount of direct state matching aid payable to the Minneapolis teachers retirement fund association must be limited to the balance of the maximum annual direct state matching aid amount available. The amount required under this paragraph, subject to the maximum direct state matching aid amount, is appropriated annually to the commissioner of finance.

(c) The commissioner of finance may prescribe the form of the certifications required under paragraph (b).

Sec. 6. Minnesota Statutes 1996, section 354A.12, subdivision 3c, is amended to read:

Subd. 3c. [TERMINATION OF SUPPLEMENTAL CONTRIBUTIONS AND DIRECT MATCHING AND STATE AID.] (a) The supplemental contributions payable to the Minneapolis teachers retirement fund association by special school district No. 1 and the city of Minneapolis under section 423A.02, subdivision 3, or to the St. Paul teachers retirement fund association by independent school district No. 625 under section 423A.02, subdivision 3, or the direct state aid aids under subdivision 3a to the ~~St. Paul first class city teachers retirement association~~ associations, and the direct matching and state aid under subdivision 3b to the Minneapolis teachers retirement fund association ~~terminates~~ terminate for the respective fund at the end of the fiscal year in which the accrued liability funding ratio for that fund, as determined in the most recent actuarial report for that fund by the actuary retained by the legislative commission on pensions and retirement, equals or exceeds the accrued liability funding ratio for the teachers retirement association, as determined in the most recent actuarial report for the teachers retirement association by the actuary retained by the legislative commission on pensions and retirement.

(b) If the state direct matching, state supplemental, or state aid is terminated for the St. Paul a first class city teachers retirement fund association or the Minneapolis teachers retirement fund association under paragraph (a), it may not again be received by that fund.

(c) If either the Minneapolis teachers retirement fund association, ~~or the St. Paul teachers retirement fund association, or the Duluth teachers retirement fund association~~ remain funded at less than the funding ratio applicable to the teachers retirement association when the provisions of paragraph (b) become effective, then any state aid not distributed to that association must be immediately transferred to the other ~~association~~ associations in proportion to the relative sizes of their unfunded actuarial accrued liabilities.

Sec. 7. [354A.29] [ST. PAUL TEACHERS RETIREMENT FUND ASSOCIATION POSTRETIREMENT ADJUSTMENT.]

Subdivision 1. [ARTICLES OF INCORPORATION AND BYLAWS.] Permission is granted for the St. Paul teachers retirement fund association under Minnesota Statutes, section 354A.12, subdivision 4, to amend its articles of incorporation and bylaws to provide postretirement adjustments under this section.

Subd. 2. [ELIMINATION OF PRIOR LUMP SUM POSTRETIREMENT ADJUSTMENT MECHANISM.] As a condition precedent to the implementation of subdivisions 3 through 6, the lump sum postretirement adjustment mechanism in effect on the date of enactment of this section must be eliminated and the articles of incorporation and bylaws of the association must be amended accordingly.

Subd. 3. [POSTRETIREMENT ADJUSTMENT.] (a) The postretirement adjustment described in the articles and bylaws of the St. Paul teachers retirement fund association must be determined by the board annually after June 30 using the procedures under this section.

(b) Each eligible person who has been receiving an annuity or benefit under the articles of incorporation, the bylaws, or this chapter for at least 12 months as of the end of the fiscal year is eligible to receive a postretirement adjustment of 2.0 percent that is payable each January 1.

Subd. 4. [ADDITIONAL INVESTMENT PERCENTAGE ADJUSTMENT.] (a) An excess investment earnings percentage adjustment must be computed and paid under this subdivision to those annuitants and eligible benefit recipients who have been receiving an annuity or benefit for at least 12 months as determined each June 30 by the board of trustees.

(b) The board shall also determine the five-year annualized rate of return attributable to the assets of the St. Paul teachers retirement fund association under the formula specified in section 11A.04, clause (11), and the amount of the excess five-year annualized rate of return over the preretirement interest assumption specified in Minnesota Statutes, section 356.215.

(c) The excess investment percentage adjustment must be determined by multiplying the quantity one minus the rate of contribution deficiency, as specified in the most recent actuarial report of the actuary retained by the legislative commission on pensions and retirement under section 356.215, by the rate of return excess as determined in paragraph (b).

(d) The excess investment percentage adjustment is payable to all annuitants and benefit recipients on the following January 1.

Subd. 5. [EFFECT ON ANNUITY.] The adjustments calculated under subdivisions 3 and 4 must be included in all annuities or benefits paid to the recipient after the adjustments take effect.

Subd. 6. [LUMP SUM POSTRETIREMENT ADJUSTMENT TRANSITION.] This subdivision applies to all annuitants and beneficiaries of the association who received a lump sum postretirement adjustment before the calculation of the first postretirement adjustment under subdivisions 3 and 4. Before the calculation of the first postretirement adjustment under subdivisions 3 and 4, the annual retirement annuity must be increased by the amount of the lump sum postretirement adjustment described in the association bylaws and paid to the annuitant or beneficiary in 1997 before the effective date of this section or if the annuitant or beneficiary was not eligible for a lump sum postretirement adjustment, then the annual benefit paid to that annuitant or benefit recipient must be increased by the cumulative percentage increase in the Consumer Price Index for urban wage earners and clerical workers All Items Index published by the United States Department of Labor, Bureau of Labor Statistics, from the date of the initial receipt of a retirement annuity or benefit of the person whose service is the basis of the benefit to June 30, 1997.

Sec. 8. Minnesota Statutes 1996, section 354A.31, subdivision 4, is amended to read:

Subd. 4. [COMPUTATION OF THE NORMAL COORDINATED RETIREMENT ANNUITY; MINNEAPOLIS AND ST. PAUL FUNDS.] (a) This subdivision applies to the coordinated programs of the Minneapolis teachers retirement fund association and the St. Paul teachers retirement fund association.

(b) The normal coordinated retirement annuity shall be an amount equal to a retiring coordinated member's average salary multiplied by the retirement annuity formula percentage. Average salary for purposes of this section shall mean an amount equal to the average salary upon which contributions were made for the highest five successive years of service credit, but which shall not in any event include any more than the equivalent of 60 monthly salary payments.

Average salary must be based upon all years of service credit if this service credit is less than five years.

(c) This paragraph, in conjunction with subdivision 6, applies to a person who first became a member or a member in a pension fund listed in section 356.30, subdivision 3, before July 1, 1989, unless paragraph (d), in conjunction with subdivision 7, produces a higher annuity amount, in which case paragraph (d) will apply. The retirement annuity formula percentage for purposes of this paragraph is ~~one~~ the percent specified in section 356.19, subdivision 1, per year for each year of coordinated service for the first ten years and ~~1.5~~ the percent specified in section 356.19, subdivision 2, for each year of coordinated service thereafter.

(d) This paragraph applies to a person who has become at least 55 years old and who first becomes a member after June 30, 1989, and to any other member who has become at least 55 years old and whose annuity amount, when calculated under this paragraph and in conjunction with subdivision 7 is higher than it is when calculated under paragraph (c), in conjunction with the provisions of subdivision 6. The retirement annuity formula percentage for purposes of this paragraph is ~~1.5~~ the percent specified in section 356.19, subdivision 2, for each year of coordinated service.

Sec. 9. Minnesota Statutes 1996, section 354A.31, subdivision 4a, is amended to read:

Subd. 4a. [COMPUTATION OF THE NORMAL COORDINATED RETIREMENT ANNUITY; DULUTH FUND.] (a) This subdivision applies to the new law coordinated program of the Duluth teachers retirement fund association.

(b) The normal coordinated retirement annuity is an amount equal to a retiring coordinated member's average salary multiplied by the retirement annuity formula percentage. Average salary for purposes of this section means an amount equal to the average salary upon which contributions were made for the highest five successive years of service credit, but may not in any event include any more than the equivalent of 60 monthly salary payments. Average salary must be based upon all years of service credit if this service credit is less than five years.

(c) This paragraph, in conjunction with subdivision 6, applies to a person who first became a member or a member in a pension fund listed in section 356.30, subdivision 3, before July 1, 1989, unless paragraph (d), in conjunction with subdivision 7, produces a higher annuity amount, in which case paragraph (d) applies. The retirement annuity formula percentage for purposes of this paragraph is ~~1.13~~ the percent specified in section 356.19, subdivision 1, per year for each year of coordinated service for the first ten years and ~~1.63~~ the percent specified in section 356.19, subdivision 2, for each subsequent year of coordinated service.

(d) This paragraph applies to a person who is at least 55 years old and who first becomes a member after June 30, 1989, and to any other member who is at least 55 years old and whose annuity amount, when calculated under this paragraph and in conjunction with subdivision 7, is higher than it is when calculated under paragraph (c) in conjunction with subdivision 6. The retirement annuity formula percentage for purposes of this paragraph is ~~1.63~~ the percent specified in section 356.19, subdivision 2, for each year of coordinated service.

Sec. 10. Laws 1979, chapter 109, section 1, as amended by Laws 1981, chapter 157, section 1, is amended to read:

Section 1. Authorization is hereby granted in accordance with Minnesota Statutes, Section 354A.12, for the St. Paul teachers retirement fund association to amend its bylaws as follows:

~~(1) Paragraph 9 of Section 3 of Article IV of the bylaws may be amended to provide a lump sum payment to annuitants and survivor benefit recipients who have been receiving annuities or benefits for at least three years, payable three months following the end of a fiscal year. The payments shall only be made if the investment income of the fund during the preceding fiscal year was in excess of 5-1/2 percent of the asset value of the fund at the end of that fiscal year. The amount that each eligible annuitant or benefit recipient shall be entitled to receive shall be determined as follows:~~

~~(a) The years of service of each annuitant as credited by the fund and the years of service of each person on behalf of whom a survivor benefit is paid as credited by the fund shall be totaled;~~

~~(b) The dollar amount equal to one-half of one percent of the asset value of the fund at the end of the previous fiscal year shall be determined;~~

~~(c) The dollar amount determined pursuant to clause (b) shall be divided by the aggregate years of credited service totaled pursuant to clause (a), the result to be considered the bonus figure per year of service credit;~~

~~(d) For each eligible annuitant and benefit recipient, the payment shall be equal to the bonus figure per year of service credit determined pursuant to clause (c) multiplied by each year of service credited for that person by the fund.~~

(2) A new paragraph may be added to Section 2 of Article IV of the bylaws to provide that any active member of the fund with service credit prior to July 1, 1978 who elects in the social security referendum to become a coordinated member shall be entitled to a retirement annuity when otherwise qualified, the calculation of which shall utilize the formula specified in Laws 1977, Chapter 429, Section 61 for that portion of credited service which was served prior to July 1, 1978 and the new coordinated formula specified in the bylaws for the remainder of credited service, both applied to the average salary as specified in Paragraph 2 of Section 1 of Article IX. The formula percentages to be used in calculating the coordinated portion of a retirement annuity on coordinated service shall recognize the coordinated service as a continuation of any service prior to July 1, 1978.

(3) (2) Paragraph 5 of Section 3 of Article IV of the bylaws in effect on June 1, 1978 may be amended to provide that the recomputation of a disability benefit in an amount equal to a service pension shall occur when the member attains the age of 60 years and shall be recomputed without any reduction for early retirement, and that if the disability terminates prior to age 60 the member shall be eligible for benefits as provided in Paragraph 1 of Section 3 of Article IV and the years of service and final average salary accrued to disability termination date would be used as provided in Paragraph 5 of Section 3 of Article IV of the bylaws in effect June 1, 1978 and that Paragraph 3 of Section 4 of Article IV be amended to conform to this provision.

(4) (3) Article VIII of the bylaws in effect July 1, 1978 may be amended by adding a new section 5 providing augmentation of benefits in the same manner as Minnesota Statutes 1978, Section 354.55, Subdivision 11.

Sec. 11. [DULUTH OLD PLAN BYLAWS; AUTHORITY GRANTED TO INCREASE FORMULAS.]

In accordance with Minnesota Statutes, section 354A.12, subdivision 4, approval is granted for the Duluth teachers retirement fund association to amend its articles of incorporation or bylaws by increasing the formula percentage used in computing annuities for old law coordinated program members in the Duluth teachers retirement fund association to 1.45 percent for each year of credited service.

Sec. 12. [REPEALER.]

(a) Minnesota Statutes 1996, section 354A.12, subdivision 2b, is repealed.

(b) Laws 1985, chapter 259, section 3; and Laws 1993, chapter 336, article 3, section 1, are repealed.

Sec. 13. [EFFECTIVE DATES.]

Sections 2 and 3 are effective for all salary paid on or after July 1, 1997. Sections 1 and 4 to 12 are effective July 1, 1997.

ARTICLE 4

MINNEAPOLIS POLICE AND FIREFIGHTERS

Section 1. Minnesota Statutes 1996, section 423B.01, subdivision 9, is amended to read:

Subd. 9. [EXCESS INVESTMENT INCOME.] "Excess investment income" means the amount, if any, by which the average time weighted total rate of return earned by the fund in the most recent prior five fiscal years has exceeded the actual average percentage increase in the current monthly salary of a first grade patrol officer in the most recent prior five fiscal years plus two percent, and must be expressed as a dollar amount ~~and~~. The amount may not exceed one percent of the total assets of the fund, except when the actuarial value of assets of the fund according to the most recent annual actuarial valuation prepared in accordance with sections 356.215 and 356.216 is greater than 102 percent of its actuarial accrued liabilities, in which case the amount must not exceed 1-1/2 percent of the total assets of the fund, and does not exist unless the yearly average percentage increase of the time weighted total rate of return of the fund for the previous five years exceeds by two percent the yearly average percentage increase in monthly salary of a first grade patrol officer during the previous five calendar years.

Sec. 2. Minnesota Statutes 1996, section 423B.01 is amended by adding a new subdivision to read:

Subd. 15. [ACTUARIAL EQUIVALENT.] "Actuarial equivalent" or "actuarially equivalent" means the condition of one annuity or benefit having an equal actuarial present value as another annuity or benefit, determined as of a given date at a specified age with each actuarial present value based on the appropriate mortality table adopted by the board of directors based on the experience of the fund and approved by the actuary retained by the legislative commission on pensions and retirement and using the applicable preretirement or postretirement interest rate assumptions specified in section 356.216.

Sec. 3. Minnesota Statutes 1996, section 423B.06, is amended by adding a subdivision to read:

Subd. 5. [TAX LEVY.] Notwithstanding any provision of section 69.77 to the contrary, if in any year after the actuarial value of assets of the fund according to the most recent annual actuarial valuation prepared in accordance with sections 356.215 and 356.216 is greater than 102 percent of the actuarial accrued liabilities of the fund and subsequently the actuarial value of assets are less than 100 percent of the actuarial accrued liabilities, the city of Minneapolis is not required to levy a property tax to amortize any unfunded actuarial accrued liability unless the fund experiences two successive years when the actuarial value of assets are less than 100 percent of the actuarial accrued liabilities according to the most recent annual actuarial valuation prepared in accordance with sections 356.215 and 356.216.

Sec. 4. Minnesota Statutes 1996, section 423B.07, is amended to read:

423B.07 [AUTHORIZED FUND DISBURSEMENTS.]

The police pension fund may be used only for the payment of:

- (1) service, disability, or dependency pensions;
- (2) notwithstanding a contrary provision of section 69.80, the salary of the secretary of the association in an amount not to exceed 30 percent of the base salary of a first grade patrol officer, the salary of the president of the association in an amount not to exceed ten percent of the base salary of a first grade patrol officer, and the salaries of the other elected members of the board of trustees in an amount not to exceed three units;
- (3) expenses of officers and employees of the association in connection with the protection of the fund;
- (4) expenses of operating and maintaining the association, including the administrative expenses related to the administration of the insurance plan authorized in section 423B.08;
- ~~(5) support for hospital and medical insurance for pensioners who have completed 20 years or more of service or permanent disabilitants and surviving spouses of deceased active members, disabilitants, or service pensioners who have completed 20 years or more of service in an amount equal to one unit per month, to be added to the pension otherwise provided;~~

~~(6) health and welfare benefits of one unit per month in addition to other benefits for members who retired after July 1, 1980, and have completed 20 years or more of service or for members who are permanent disabilitants; and~~

~~(7)~~ (5) other expenses authorized by section 69.80, or other applicable law.

Sec. 5. Minnesota Statutes 1996, section 423B.09, subdivision 1, is amended to read:

Subdivision 1. [MINNEAPOLIS POLICE; PERSONS ENTITLED TO RECEIVE PENSIONS.] The association shall grant pensions payable from the police pension fund in monthly installments to persons entitled to pensions in the manner and for the following purposes.

(a) When the actuarial value of assets of the fund according to the most recent annual actuarial valuation performed in accordance with sections 356.215 and 356.216 is less than 90 percent of the actuarial accrued liabilities, an active member or a deferred pensioner who has performed duty as a member of the police department of the city for five years or more, upon written application after retiring from duty and reaching at least age 50, is entitled to be paid monthly for life a service pension equal to eight units. For full years of service beyond five years, the service pension increases by 1.6 units for each full year, to a maximum of 40 units. When the actuarial value of assets of the fund according to the most recent annual actuarial valuation prepared in accordance with sections 356.215 and 356.216 is greater than 90 percent of actuarial accrued liabilities, active members, deferred members, and service pensioners are entitled to a service pension according to the following schedule:

<u>5 years</u>	<u>8.0 units</u>
<u>6 years</u>	<u>9.6 units</u>
<u>7 years</u>	<u>11.2 units</u>
<u>8 years</u>	<u>12.8 units</u>
<u>9 years</u>	<u>14.4 units</u>
<u>10 years</u>	<u>16.0 units</u>
<u>11 years</u>	<u>17.6 units</u>
<u>12 years</u>	<u>19.2 units</u>
<u>13 years</u>	<u>20.8 units</u>
<u>14 years</u>	<u>22.4 units</u>
<u>15 years</u>	<u>24.0 units</u>
<u>16 years</u>	<u>25.6 units</u>
<u>17 years</u>	<u>27.2 units</u>
<u>18 years</u>	<u>28.8 units</u>
<u>19 years</u>	<u>30.4 units</u>
<u>20 years</u>	<u>34.0 units</u>
<u>21 years</u>	<u>35.6 units</u>
<u>22 years</u>	<u>37.2 units</u>
<u>23 years</u>	<u>38.8 units</u>
<u>24 years</u>	<u>40.4 units</u>
<u>25 years</u>	<u>42.0 units</u>

Fractional years of service may not be used in computing pensions.

(b) An active member who after five years' service but less than 20 years' service with the police department of the city, becomes superannuated so as to be permanently unable to perform the person's assigned duties, is entitled to be paid monthly for life a superannuation pension equal to ~~two~~ four units for five years of service and an additional two units for each full year of service over five years and less than 20 years.

(c) An active member who is not eligible for a service pension and who, while a member of the police department of the city, becomes diseased or sustains an injury while in the service that permanently unfits the member for the performance of police duties is entitled to be paid monthly for life a pension equal to ~~32~~ 34 units while so disabled.

Sec. 6. Minnesota Statutes 1996, section 423B.09, is amended by adding a subdivision to read:

Subd. 6. [OPTIONAL ANNUITIES.] A member who is retired or disabled on the effective date of this subdivision may elect an optional retirement annuity within 60 days of the effective date instead of the normal retirement annuity. A member who retires or becomes disabled after the effective date of this subdivision may elect an optional retirement annuity prior to the receipt of any benefits. The optional retirement annuity may be a 50 percent, a 75 percent, or a 100 percent joint and survivor annuity without reinstatement in the event of the designated beneficiary predeceasing the member or a 50 percent, a 75 percent, or a 100 percent joint and survivor annuity with reinstatement in the event of the designated beneficiary predeceasing the member. Optional retirement annuity forms must be actuarially equivalent to the service pension and automatic survivor coverage otherwise payable to the retiring member and the member's beneficiaries. Once selected, the optional annuity is irrevocable.

Sec. 7. Minnesota Statutes 1996, section 423B.10, subdivision 1, is amended to read:

Subdivision 1. [ENTITLEMENT; BENEFIT AMOUNT.] (a) The surviving spouse of a deceased service pensioner, disability pensioner, deferred pensioner, superannuation pensioner, or active member, who was the legally married spouse of the decedent, residing with the decedent, and who was married while or before the time the decedent was on the payroll of the police department, and who, if the deceased member was a service or deferred pensioner, was legally married to the member for a period of at least one year before retirement from the police department, is entitled to a surviving spouse benefit. The surviving spouse benefit is equal to ~~24~~ 22 units per month if the person is the surviving spouse of a deceased active member or disabled member. The surviving spouse benefit is equal to six units per month, plus an additional one unit for each year of service to the credit of the decedent in excess of five years, to a maximum of ~~24~~ 22 units per month, if the person is the surviving spouse of a deceased service pensioner, deferred pensioner, or superannuation pensioner. The surviving spouse benefit is payable for the life of the surviving spouse.

(b) A surviving child of a deceased service pensioner, disability pensioner, deferred pensioner, superannuation pensioner, or active member, who was living while the decedent was an active member of the police department or was born within nine months after the decedent terminated active service in the police department, is entitled to a surviving child benefit. The surviving child benefit is equal to eight units per month if the person is the surviving child of a deceased active member or disabled member or is a child of a deceased service pensioner, deferred pensioner, or superannuation pensioner. The surviving child benefit is payable until the person attains age 18, or, if in full-time attendance during the normal school year, in a school approved by the board of directors, until the person receives a bachelor's degree or attains the age of 22 years, whichever occurs first. In the event of the death of both parents leaving a surviving child or children entitled to a surviving child benefit as determined in this paragraph, the surviving child is, or the surviving children are, entitled to a surviving child benefit in such sums as determined by the board of directors to be necessary for the care and education of such surviving child or children, but not to exceed the family maximum benefit per month, to the children of any one family.

(c) The surviving spouse and surviving child benefits are subject to a family maximum benefit. The family maximum benefit is ~~40~~ 41 units per month.

(d) A surviving spouse who is otherwise not qualified may receive a benefit if the surviving spouse was married to the decedent for a period of five years and was residing with the decedent at the time of death. The surviving spouse benefit is the same as that provided in paragraph (a), except that if the surviving spouse is younger than the decedent, the surviving spouse benefit must be actuarially equivalent to a surviving spouse benefit that would have been paid to the member's spouse had the member been married to a person of the same age or a greater age than the member's age before retirement.

Sec. 8. Minnesota Statutes 1996, section 423B.15, subdivision 2, is amended to read:

Subd. 2. [DETERMINATION OF EXCESS INVESTMENT INCOME.] The board of trustees of the relief association shall determine by May 1 of each year whether or not the fund has excess investment income. The amount of excess investment income, if any, must be stated as a dollar amount and reported by the chief administrative officer of the relief association to the mayor and governing body of the city, the state auditor, the commissioner of finance, and the executive director of the legislative commission on pensions and retirement. The dollar amount of excess investment income up to one percent of the assets of the fund, except when the actuarial value of assets of the fund according to the most recent annual actuarial valuation prepared in accordance with sections 356.215 and 356.216 is greater than 102 percent of its actuarial accrued liabilities in which case the amount may not exceed 1-1/2 percent of the assets of the fund, must be applied for the purpose specified in subdivision 3. Excess investment income must not be considered as income to or assets of the fund for actuarial valuations of the fund for that year under sections 69.77, 356.215, and 356.216 and the provisions of this section except to offset the annual postretirement payment. Additional investment income is any realized or unrealized investment income other than the excess investment income and must be included in the actuarial valuations performed under sections 69.77, 356.215, and 356.216 and the provisions of this section.

Sec. 9. Minnesota Statutes 1996, section 423B.15, subdivision 3, is amended to read:

Subd. 3. [AMOUNT OF ANNUAL POSTRETIREMENT PAYMENT.] The amount determined under subdivision 2 must be applied in accordance with this subdivision. When the actuarial value of assets of the fund according to the most recent annual actuarial valuation prepared in accordance with sections 356.215 and 356.216 is less than 102 percent of its total actuarial liabilities, the relief association shall apply the first one-half of excess investment income to the payment of an annual postretirement payment as specified in this subdivision; and the second one-half of excess investment income up to one-half of one percent of the assets of the fund must be applied to reduce the state amortization state aid or supplementary amortization state aid payments otherwise due to the relief association under section 423A.02 for the current calendar year. When the actuarial value of assets of the fund according to the most recent annual actuarial valuation prepared in accordance with sections 356.215 and 356.216 is less than 102 percent funded and other conditions are met, the relief association shall pay an annual postretirement payment to all eligible members in an amount not to exceed one-half of one percent of the assets of the fund. When the actuarial value of assets of the fund according to the most recent annual actuarial valuation prepared in accordance with sections 356.215 and 356.216 is greater than 102 percent of its actuarial accrued liabilities, the relief association shall pay an annual postretirement payment to all eligible members in an amount not to exceed 1-1/2 percent of the assets of the fund. Payment of the annual postretirement payment must be in a lump sum amount on June 1 following the determination date in any year. Payment of the annual postretirement payment may be made only if the average time weighted total rate of return for the most recent prior five years exceeds by two percent the actual average percentage increase in the current monthly salary of a top grade patrol officer in the most recent prior five fiscal years. The total amount of all payments to members may not exceed the amount determined under this subdivision. Payment to each eligible member must be calculated by dividing the total number of pension units to which eligible members are entitled into the excess investment income available for distribution to members, and then multiplying that result by the number of units to which each eligible member is entitled to determine each eligible member's annual postretirement payment. When the actuarial value of assets of the fund according to the most recent annual actuarial valuation prepared in accordance with sections 356.215 and 356.216 is less than 102 percent of its actuarial accrued liabilities, payment to each eligible member may not exceed an amount equal to the total monthly benefit that the eligible member was entitled to in the prior year under the terms of the benefit plan of the relief association or each eligible member's proportionate share of the excess investment income, whichever is less. When the actuarial value of assets of the fund according to the most recent annual actuarial valuation prepared in accordance with sections 356.215 and 356.216 is greater than 102 percent of its actuarial accrued liabilities, payment to each eligible member must not exceed the member's proportionate share of 1-1/2 percent of the assets of the fund.

A person who received a pension or benefit for the entire 12 months before the determination date is eligible for a full annual postretirement payment. A person who received a pension or

benefit for less than 12 months before the determination date is eligible for a prorated annual postretirement payment.

Sec. 10. Minnesota Statutes 1996, section 423B.15, subdivision 6, is amended to read:

Subd. 6. [NO GUARANTEE OF ANNUAL POSTRETIREMENT PAYMENT.] No provision of or payment made under this section may be interpreted or relied upon by any member of the relief association to guarantee or entitle a member to annual postretirement payments for a period when no excess investment income is earned by the fund. If the actuarial value of assets of the fund according to the most recent annual actuarial valuation prepared in accordance with sections 356.215 and 356.216 is less than 102 percent of its actuarial accrued liabilities, the distribution of assets under this section must not exceed one-half of one percent.

Sec. 11. Minnesota Statutes 1996, section 423B.15, is amended by adding a subdivision to read:

Subd. 7. [ANNUAL ACTUARIAL VALUATION DATE.] Notwithstanding any provision of section 69.77, subdivision 2h, 356.215 or 356.216 to the contrary, the annual actuarial valuation of the fund must be completed by May 1 of each year.

Sec. 12. Laws 1965, chapter 519, section 1, as amended by Laws 1967, chapter 819, section 1; Laws 1969, chapter 123, section 1; Laws 1975, chapter 57, section 1; Laws 1977, chapter 164, section 2; Laws 1990, chapter 589, article 1, section 5; Laws 1992, chapter 454, section 2; and Laws 1994, chapter 591, article 1, section 1, is amended to read:

Section 1. [MINNEAPOLIS, CITY OF; FIREFIGHTER'S RELIEF ASSOCIATION; SURVIVING SPOUSE'S ENTITLEMENT.] Notwithstanding the provisions of Minnesota Statutes 1965, Section 69.48, to the contrary, when a service pensioner, disability pensioner, or deferred pensioner, or an active member of a relief association dies, leaving:

(1) A surviving spouse who was a legally married spouse, residing with the decedent, and who was married while or prior to the time the decedent was on the payroll of the fire department in the case of a deceased active member; and who, in case the deceased member was a service or deferred pensioner was legally married to the member at least five years before death; or

(2) A child or children who were living while the deceased was on the payroll of the fire department, or born within nine months after the decedent was withdrawn from the payroll of the fire department, the surviving spouse and the child or children shall be entitled to a pension or pensions, as follows:

(a) ~~To the surviving spouse, a pension of not less than 17 units, and not to exceed the total of 22 units per month, as the bylaws of the association provide, for life; provided, that if the spouse shall remarry then the pension shall cease and terminate as of the date of remarriage; provided, further, if the remarriage terminates for any reason, the surviving spouse shall again be entitled to a pension as the bylaws of the association provide;~~

(b) To the child or children, if their other parent is living, a pension of not to exceed eight units per month for each child up to the time each child reaches the age of not less than 16 years and not to exceed an age of 18 years; provided, however, upon approval by the board of trustees, such a child who is a full-time student, upon proof of compliance with the provisions of this act, may be entitled to such pension so long as the child is a full-time student and has not reached 22 years of age, all in conformity with the bylaws of the association; provided, further, the total pensions hereunder for the surviving spouse and children of the deceased member shall not exceed the sum of 41 units per month;

(c) A child or children of a deceased member after the death of their other parent, or in the event their other parent predeceases the member, be entitled to receive a pension or pensions in such amount as the board of trustees of the association shall deem necessary to properly support the child or children until they reach the age of not less than 16 and not more than 18 years; provided, however, upon approval by the board of trustees, such a child who is a full-time student, upon proof of compliance with the provisions of this act, may be entitled to such pension so long as the child is a full-time student and has not reached 22 years of age, as the bylaws of the

association may provide; but the total amount of the pension or pensions hereunder for any child or children shall not exceed the sum of 41 units per month;

(d) For the purposes of this act, a full-time student is defined as an individual who is in full-time attendance as a student at an educational institution. Whether or not the student was in full-time attendance would be determined by the board of trustees of the association in the light of the standards and practices of the school involved. Specifically excluded is a person who is paid by the person's employer while attending school at the request of the person's employer. Benefits may continue during any period of four calendar months or less in any 12 month period in which a person does not attend school if the person shows to the satisfaction of the board of trustees that the person intends to continue in full-time school attendance immediately after the end of the period. An educational institution is defined so as to permit the payment of benefits to students taking vocational or academic courses in all approved, accredited or licensed schools, colleges, and universities. The board of trustees shall make the final determination of eligibility for benefits if any question arises concerning the approved status of the educational institution which the student attends or proposes to attend;

(e) In the event that a child who is receiving a pension as provided above shall marry before the age of 22 years, the pension shall cease as of the date of the marriage; and

(f) A surviving spouse of a deceased service pensioner, disability pensioner, deferred pensioner, or service pensioner who is otherwise not qualified may receive a benefit if the surviving spouse was legally married to the decedent for a period of five years and was residing with the decedent at the time of death. The surviving spouse benefit is the same as that provided under paragraph (a), except that if the surviving spouse is younger than the decedent, the surviving spouse benefit must be actuarially equivalent to a surviving spouse benefit that would have been paid to the member's spouse had the member been married to a person of the same age or a greater age than the member's age prior to retirement. A benefit paid under this paragraph may be less than 17 units, notwithstanding the 17 unit minimum established under paragraph (a).

Sec. 13. Laws 1989, chapter 319, article 19, section 7, subdivision 1, as amended by Laws 1992, chapter 471, article 2, section 5, and Laws 1996, chapter 438, article 4, section 12, is amended to read:

Subdivision 1. [MINNEAPOLIS FIRE DEPARTMENT RELIEF ASSOCIATION; DEFINITIONS.] For the purposes of this section, each of the terms in this subdivision have the meanings given them in paragraphs (a) to (h).

(a) "Annual postretirement payment" means the payment of a lump sum postretirement benefit to an eligible member on June 1 following the determination date in any year.

(b) "City" means the city of Minneapolis.

(c) "Determination date" means December 31 of each year.

(d) "Eligible member" means a person, including a service pensioner, a disability pensioner, a survivor, or dependent of a deceased active member, service pensioner, or disability pensioner, who received a pension or benefit from the relief association during the 12 months before the determination date. A person who received a pension or benefit for the entire 12 months before the determination date is eligible for a full annual postretirement payment. A person who received a pension or benefit for less than 12 months before the determination date is eligible for a prorated annual postretirement payment.

(e) "Excess investment income" means the amount by which the average time weighted total rate of return earned by the fund in the most recent prior five fiscal years has exceeded the actual average percentage increase in the current monthly salary of a top grade firefighter in the most recent prior five fiscal years plus two percent. The excess investment income must be expressed as a dollar amount and may not exceed one percent of the total assets of the fund, except when the actuarial value of assets of the fund according to the most recent annual actuarial valuation prepared in accordance with Minnesota Statutes, sections 356.215 and 356.216 is greater than 102

percent of its actuarial accrued liabilities in which case the amount must not exceed 1-1/2 percent of the assets of the funds.

(f) "Fund" means the Minneapolis fire department relief association.

(g) "Relief association" means the Minneapolis fire department relief association.

(h) "Time weighted total rate of return" means the percentage amount determined by using the formula or formulas established by the state board of investment under Minnesota Statutes, section 11A.04, clause (11), and in effect on January 1, 1987.

Sec. 14. Laws 1989, chapter 319, article 19, section 7, subdivision 3, is amended to read:

Subd. 3. [DETERMINATION OF EXCESS INVESTMENT INCOME.] The board of trustees of the relief association shall determine by May 1 of each year whether or not the relief association has excess investment income. The amount of excess investment income, if any, must be stated as a dollar amount and reported by the chief administrative officer of the relief association to the mayor and governing body of the city, the state auditor, the commissioner of finance, and the executive director of the legislative commission on pensions and retirement. The dollar amount of excess investment income up to one percent of the assets of the fund, except if the actuarial value of assets of the fund according to the most recent annual actuarial valuation prepared in accordance with Minnesota Statutes, sections 356.215 and 356.216 is greater than 102 percent of its actuarial accrued liabilities, must be applied for the purpose specified in subdivision 4. Excess investment income must not be considered as income to or assets of the fund for actuarial valuations of the fund for that year under sections 69.77, 356.215, and 356.216 and the provisions of this section except to offset the annual postretirement payment. Additional investment income is any realized or unrealized investment income other than the excess investment income and must be included in the actuarial valuations performed under sections 69.77, 356.215, and 356.216 and the provisions of this section.

Sec. 15. Laws 1989, chapter 319, article 19, section 7, subdivision 4, as amended by Laws 1990, chapter 570, article 12, section 63, Laws 1992, chapter 471, article 2, section 6, and Laws 1996, chapter 438, article 4, section 13, is amended to read:

Subd. 4. [AMOUNT OF ANNUAL POSTRETIREMENT PAYMENT.] The amount determined under subdivision 3 must be applied in accordance with this subdivision. When the actuarial value of assets of the fund according to the most recent annual actuarial valuation prepared in accordance with Minnesota Statutes, sections 356.215 and 356.216 is less than 102 percent of its actuarial accrued liabilities, the relief association shall apply the first one-half of one percent of assets which constitute excess investment income to the payment of an annual postretirement payment as specified in this subdivision; and the second one-half of one percent of assets which constitute excess investment income shall be applied to reduce the state amortization state aid or supplementary amortization state aid payments otherwise due to the relief association under section 423A.02 for the current calendar year. When the actuarial value of assets of the fund according to the most recent annual actuarial valuation prepared in accordance with Minnesota Statutes, sections 356.215 and 356.216 is less than 102 percent of its actuarial accrued liabilities, the relief association shall pay an annual postretirement payment to all eligible members in an amount not to exceed one-half of one percent of the assets of the fund. Payment of the annual postretirement payment must be in a lump sum amount on June 1 following the determination date in any year. When the actuarial value of assets of the fund according to the most recent annual actuarial valuation prepared in accordance with Minnesota Statutes, sections 356.215 and 356.216 is greater than 102 percent of its actuarial accrued liabilities, the relief association shall pay an annual postretirement payment to all eligible members in an amount not to exceed 1-1/2 percent of the assets of the fund. Payment of the annual postretirement payment may be made only if the average time weighted total rate of return in the most recent prior five fiscal years exceeds by two percent the actual average percentage increase in the current monthly salary of a top grade firefighter in the most recent prior five fiscal years. The total amount of all payments to members may not exceed the amount determined under subdivision 3. Payment to each eligible member must be calculated by dividing the total number of pension units to which eligible members are entitled into the excess investment income available for distribution to members, and then

multiplying that result by the number of units to which each eligible member is entitled to determine each eligible member's annual postretirement payment. When the fund actuarial value of assets according to the most recent annual actuarial valuation prepared in accordance with Minnesota Statutes, sections 356.215 and 356.216 is less than 102 percent of its actuarial accrued liabilities, payment to each eligible member may not exceed an amount equal to the total monthly benefit that the eligible member was entitled to in the prior year under the terms of the benefit plan of the relief association or each eligible member's proportionate share of the excess investment income, whichever is less. When the actuarial value of assets of the fund according to the most recent annual actuarial valuation prepared in accordance with Minnesota Statutes, sections 356.215 and 356.216 is greater than 102 percent of its actuarial accrued liabilities, payment to each eligible member may not exceed the member's proportionate share of 1-1/2 percent of assets of the fund.

Sec. 16. Laws 1989, chapter 319, article 19, section 7, subdivision 7, is amended to read:

Subd. 7. [NO GUARANTEE OF ANNUAL POSTRETIREMENT PAYMENT.] No provision of or payment made under this section may be interpreted or relied upon by any member of the relief association to guarantee or entitle a member to annual postretirement payments for a period when no excess investment income is earned by the fund. If the actuarial value of assets of the fund according to the most recent annual actuarial valuation prepared in accordance with Minnesota Statutes, sections 356.215 and 356.216 is less than 102 percent of its actuarial accrued liabilities, a distribution of the fund assets must not exceed one-half of one percent.

Sec. 17. Laws 1993, chapter 125, article 1, section 1, is amended to read:

Section 1. [MINNEAPOLIS, CITY OF; SERVICE PENSION RATES.]

Notwithstanding the provisions of Minnesota Statutes, section 69.45, Laws 1971, chapter 542, section 1, and Laws 1980, chapter 607, article XV, section 9, to the contrary, when the actuarial value of assets of the fund according to the most recent annual actuarial valuation prepared in accordance with Minnesota Statutes, sections 356.215 and 356.216 is less than 90 percent of its actuarial accrued liabilities, the service pensions payable by the Minneapolis fire department relief association for members terminating active service as a Minneapolis firefighter after June 1, 1993, must be computed as follows:

length of credited service	service pension payable
<u>10 years</u>	<u>16.0 units</u>
<u>11 years</u>	<u>17.6 units</u>
<u>12 years</u>	<u>19.2 units</u>
<u>13 years</u>	<u>20.8 units</u>
<u>14 years</u>	<u>22.4 units</u>
<u>15 years</u>	<u>24.0 units</u>
<u>16 years</u>	<u>25.6 units</u>
<u>17 years</u>	<u>27.2 units</u>
<u>18 years</u>	<u>28.8 units</u>
<u>19 years</u>	<u>30.4 units</u>
<u>20 years</u>	<u>33.0 units</u>
<u>21 years</u>	<u>34.6 units</u>
<u>22 years</u>	<u>36.2 units</u>
<u>23 years</u>	<u>37.8 units</u>

<u>24 years</u>	<u>39.4 units</u>
<u>25 years</u>	<u>41.0 units</u>

When the actuarial value of assets of the fund according to the most recent annual actuarial valuation prepared in accordance with Minnesota Statutes, sections 356.215 and 356.216 is of greater than 90 percent of actuarial accrued liabilities, the following schedule applies to all active members and retired service pensioners who otherwise met the then existing requirements to receive a benefit:

<u>length of</u> <u>credited service</u>	<u>service</u> <u>pension payable</u>
5 years	8.0 units
6 years	9.6 units
7 years	11.2 units
8 years	12.8 units
9 years	14.4 units
10 years	16.0 units
11 years	17.6 units
12 years	19.2 units
13 years	20.8 units
14 years	22.4 units
15 years	24.0 units
16 years	25.6 units
17 years	27.2 units
18 years	28.8 units
19 years	30.4 units
20 years	33.0 <u>33.5</u> units
21 years	34.6 <u>35.1</u> units
22 years	36.2 <u>37.7</u> units
23 years	37.8 <u>38.3</u> units
24 years	39.4 <u>39.9</u> units
25 years	41.0 <u>41.5</u> units

When the actuarial value of assets of the fund according to the most recent annual actuarial valuation prepared in accordance with Minnesota Statutes, sections 356.215 and 356.216 is of greater than 92.5 percent of actuarial accrued liabilities, the following schedule applies to all active members and retired service pensioners who otherwise met the then existing requirements to receive a benefit:

<u>length of</u> <u>credited service</u>	<u>service</u> <u>pension payable</u>
<u>5 years</u>	<u>8.0 units</u>
<u>6 years</u>	<u>9.6 units</u>
<u>7 years</u>	<u>11.2 units</u>

<u>8 years</u>	<u>12.8 units</u>
<u>9 years</u>	<u>14.4 units</u>
<u>10 years</u>	<u>16.0 units</u>
<u>11 years</u>	<u>17.6 units</u>
<u>12 years</u>	<u>19.2 units</u>
<u>13 years</u>	<u>20.8 units</u>
<u>14 years</u>	<u>22.4 units</u>
<u>15 years</u>	<u>24.0 units</u>
<u>16 years</u>	<u>25.6 units</u>
<u>17 years</u>	<u>27.2 units</u>
<u>18 years</u>	<u>28.8 units</u>
<u>19 years</u>	<u>30.4 units</u>
<u>20 years</u>	<u>34.0 units</u>
<u>21 years</u>	<u>35.6 units</u>
<u>22 years</u>	<u>37.2 units</u>
<u>23 years</u>	<u>38.8 units</u>
<u>24 years</u>	<u>40.4 units</u>
<u>25 years</u>	<u>42.0 units</u>

Sec. 18. [MINNEAPOLIS FIRE DEPARTMENT RELIEF ASSOCIATION; OPTIONAL ANNUITIES.]

A member of the Minneapolis fire department relief association who is retired or disabled on the effective date of this section may elect an optional retirement annuity within 60 days of the effective date instead of the normal retirement pension. A member who retires or becomes disabled after the effective date of this section may elect an optional retirement annuity prior to the receipt of any benefits. The optional retirement annuity may be a 50 percent, a 75 percent, or a 100 percent joint and survivor annuity without reinstatement in the event of the designated beneficiary predeceasing the member or a joint and survivor annuity with reinstatement in the event of the designated beneficiary predeceasing the member. An optional retirement annuity must be actuarially equivalent to the service pension and automatic survivor coverage otherwise payable to the retiring member and the member's beneficiaries. Once selected, the optional annuity is irrevocable.

Sec. 19. [MINNEAPOLIS FIRE DEPARTMENT RELIEF ASSOCIATION TAX LEVY.]

If in any year after the Minneapolis fire department relief actuarial value of assets of the association according to the most recent annual actuarial valuation prepared in accordance with Minnesota Statutes, sections 356.215 and 356.216 is greater than 102 percent of the actuarial accrued liabilities of the fund and subsequently the actuarial value of assets are less than 100 percent of the actuarial accrued liabilities according to the most recent annual actuarial valuation prepared in accordance with Minnesota Statutes, sections 356.215 and 356.216, the city of Minneapolis is not required to levy a property tax to fund any deficit unless the fund has two successive years when the actuarial value of assets are less than 100 percent of the actuarial accrued liabilities according to the most recent annual actuarial valuation prepared in accordance with Minnesota Statutes, sections 356.215 and 356.216.

Sec. 20. [ACTUARIAL VALUATION DATE.]

Notwithstanding Minnesota Statutes, section 69.77, subdivision 2h, 356.215 or 356.216, the

annual actuarial valuation of the Minneapolis fire department relief association must be completed by May 1 of each year.

Sec. 21. [ACTUARIAL EQUIVALENT.]

For the purposes of the Minneapolis fire department relief association, "actuarial equivalent" or "actuarially equivalent" means the condition of one annuity or benefit having an equal actuarial present value as another annuity or benefit, determined as of a given date at a specified age with each actuarial present value based on the appropriate mortality table adopted by the board of directors based on the experience of the fund and approved by the actuary retained by the legislative commission on pensions and retirement and using the applicable preretirement or postretirement interest rate assumptions specified in Minnesota Statutes, section 356.216.

Sec. 22. [BENEFIT EXCHANGE.]

The one unit health and welfare benefit granted to members of the Minneapolis fire department relief association in Laws 1980, chapter 667, article XV, section 9, who retired after July 1, 1980, must be reduced by one-half unit upon the implementation of the benefit improvement in section 17 when the actuarial value of assets of the fund according to the most recent annual actuarial valuation report under Minnesota Statutes, sections 356.215 and 356.216 exceeds 90 percent of its actuarial accrued liabilities and the benefit must be eliminated when the actuarial value of assets of the fund exceeds 92.5 percent of its actuarial accrued liabilities and the benefit in section 15 is fully implemented.

Sec. 23. [EFFECTIVE DATE.]

The sections of this article are effective on the day after compliance by the governing body of the city of Minneapolis with Minnesota Statutes, section 645.021, subdivision 2. Section 4 is effective when the provisions of section 5 take effect. The disability pension and superannuation pension unit amount change in section 5 is effective only when section 4 takes effect. Sections 7 and 12 are effective retroactive to July 1, 1996 and apply to all current spouses of members, except that the unit increases for surviving spouses in section 7 shall not otherwise increase the surviving spouse benefit beyond 22 units."

Delete the title and insert:

"A bill for an act relating to retirement; increasing pension benefit accrual rates; adjusting financing for pension plans; adding supplemental financial conditions information for pension funds; reducing appropriations; modifying or establishing various pension aids; appropriating money; amending Minnesota Statutes 1996, sections 3.85, subdivisions 11 and 12; 3A.02, subdivisions 1 and 4; 3A.07; 11A.18, subdivision 9; 69.011, subdivisions 1, 2, and by adding a subdivision; 69.021, subdivisions 5, 7a, 10, and 11; 69.031, subdivision 5; 352.01, subdivision 25; 352.04, subdivisions 2 and 3; 352.115, subdivision 3; 352.72, subdivision 2; 352.92, subdivisions 1 and 2; 352.93, subdivisions 2, 3, and by adding a subdivision; 352.95, subdivisions 1 and 5; 352B.02, subdivisions 1a and 1c; 352B.08, subdivisions 2 and 2a; 352B.10, subdivision 1; 352B.30, by adding a subdivision; 352C.031, subdivision 4; 352C.033; 352D.02, subdivisions 1 and 2; 352D.04, subdivisions 1 and 2; 353.01, subdivision 37; 353.27, subdivisions 2 and 3a; 353.29, subdivision 3; 353.651, subdivision 3; 353.656, subdivision 1; 353.71, subdivision 2; 353A.08, subdivisions 1 and 2; 353A.083, by adding a subdivision; 354.05, subdivision 38; 354.42, subdivisions 2, 3, and 5; 354.44, subdivision 6, and by adding a subdivision; 354.53, subdivision 1; 354.55, subdivision 11; 354A.011, subdivision 15a; 354A.12, subdivisions 1, 2a, 3a, 3b, and 3c; 354A.31, subdivisions 4 and 4a; 356.20, subdivision 2; 356.215, subdivisions 2, 4d, and 4g; 356.217; 356.30, subdivisions 1 and 3; 356.32, subdivision 2; 422A.06, subdivision 8; 422A.151; 423B.01, subdivision 9, and by adding a subdivision; 423B.06, by adding a subdivision; 423B.07; 423B.09, subdivision 1, and by adding a subdivision; 423B.10, subdivision 1; 423B.15, subdivisions 2, 3, 6, and by adding a subdivision; and 490.124, subdivisions 1 and 5; Laws 1965, chapter 519, section 1, as amended; Laws 1979, chapter 109, section 1, as amended; Laws 1989, chapter 319, article 19, section 7, subdivisions 1, as amended, 3, 4, as amended, and 7; Laws 1993, chapter 125, article 1, section 1; and Laws 1996, chapter 448, article 1, section 3; proposing coding for new law in Minnesota Statutes, chapters 124; 273; 352; 352C; 354A; 355;

and 356; repealing Minnesota Statutes 1996, sections 124.195, subdivision 12; 124.2139; 353C.01; 353C.02; 353C.03; 353C.04; 353C.05; 353C.06; 353C.07; 353C.08; 353C.09; 353C.10; 354A.12, subdivision 2b; 356.70; and 356.88, subdivision 2; Laws 1985, chapter 259, section 3; and Laws 1993, chapter 336, article 3, section 1."

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

Senate Conferees: (Signed) Steven Morse, Don Betzold, Roy W. Terwilliger, Dan Stevens, Lawrence J. Pogemiller

House Conferees: (Signed) Richard H. Jefferson, Phyllis Kahn, Mary Murphy, Harry Mares, Steve Smith

Mr. Morse moved that the foregoing recommendations and Conference Committee Report on S.F. No. 637 be now adopted, and that the bill be repassed as amended by the Conference Committee.

Pursuant to Rule 22, Mr. Johnson, D.H. moved that he be excused from voting on all questions pertaining to S.F. No. 637. The motion prevailed.

Pursuant to Rule 22, Mr. Johnson, D.J. moved that he be excused from voting on all questions pertaining to S.F. No. 637. The motion prevailed.

Pursuant to Rule 22, Mr. Foley moved that he be excused from voting on all questions pertaining to S.F. No. 637. The motion prevailed.

Pursuant to Rule 22, Ms. Ranum moved that she be excused from voting on all questions pertaining to S.F. No. 637. The motion prevailed.

The question recurred on the adoption of the Morse motion. The motion prevailed. So the recommendations and Conference Committee Report were adopted.

S.F. No. 637 was read the third time, as amended by the Conference Committee, and placed on its repassage.

The question was taken on the repassage of the bill, as amended by the Conference Committee.

The roll was called, and there were yeas 61 and nays 0, as follows:

Those who voted in the affirmative were:

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

So the bill, as amended by the Conference Committee, was repassed and its title was agreed to.

MOTIONS AND RESOLUTIONS - CONTINUED

S.F. No. 1419 and the Conference Committee Report thereon were reported to the Senate.

CONFERENCE COMMITTEE REPORT ON S.F. NO. 1419

A bill for an act relating to utilities; authorizing a municipal and cooperative utility to form joint ventures for the provision of utility services; amending Laws 1996, chapter 300, section 1.

May 17, 1997

The Honorable Allan H. Spear
President of the Senate

The Honorable Phil Carruthers
Speaker of the House of Representatives

We, the undersigned conferees for S.F. No. 1419, report that we have agreed upon the items in dispute and recommend as follows:

That the House recede from its amendments and that S.F. No. 1419 be further amended as follows:

Delete everything after the enacting clause and insert:

"Section 1. Laws 1996, chapter 300, section 1, is amended to read:

Section 1. [JOINT VENTURE.]

Subdivision 1. [AUTHORIZATION.] ~~The city of Willmar is authorized to allow~~ On behalf of their respective cities: (1) the Willmar municipal utilities commission is authorized to enter into a joint venture with the Kandiyohi cooperative electric power association; and (2) the Jackson municipal utilities commission is authorized to enter into a joint venture with the Federated rural electric association. These joint ventures shall be for the provision of utility services including retail electric service within the boundaries of each utility's exclusive electric service territory, as shown on the map of service territories maintained by the department of public service and as may otherwise be provided by law. The terms and conditions of the a joint venture authorized by this subdivision are subject to ratification by both the municipal utilities commission of the city of Willmar and the board of the Kandiyohi cooperative electric power association and participating in the joint venture. These terms and conditions may include the formation of a corporate or other separate legal entity with an administrative and governance structure independent of the two participating utilities. A corporate entity formed under this section shall be subject to all laws and rules applicable to municipal utilities and cooperative electric associations. The corporate or other separate legal entity, if formed:

(1) has the authority and legal capacity, and in the exercise of joint venture powers the privileges, responsibilities, and duties authorized by this section;

(2) is subject to the law generally applicable to the organization, internal governance, and activities of the entity formed;

(3) may exercise in connection with its property and affairs, and in connection with property within its control, any and all powers that may be exercised by a natural person or a private corporation or other private legal entity in connection with similar property and affairs; and

(4) is not a public body or authority, government entity, municipal corporation, or political subdivision.

A joint venture, including any separate legal entity, if formed, may elect to be deemed a municipal utility or a cooperative association for purposes of Minnesota Statutes, chapter 216B, or other federal or state law regulating utility operations.

Subd. 2. [POWERS.] (a) ~~The A joint venture formed under this section, if any, shall have such~~ has the powers, privileges, responsibilities, and duties of the separate utilities entering into the joint venture as the joint venture agreement may provide, except that, upon formation of the joint venture, neither the joint venture nor the Willmar municipal utilities commission shall have the

power of eminent domain or the authority under section 216B.44 to and the powers provided under paragraph (b), except that the joint venture, with respect to retail electric utility services, may not enlarge the service territory served by the joint venture under Minnesota Statutes, sections 216B.44 and 216B.47, unless it receives the written consent of the retail electric utility serving the area under consideration.

(b) Such powers include, but are not limited to, the authority to:

(1) finance, acquire, own, construct, and operate facilities necessary for the provision of electric power to wholesale or retail customers, including generation, transmission, and distribution facilities;

(2) combine retail electric service territories, in whole or in part, upon notice and hearing to do so with the public utilities commission;

(3) serve electric customers in the two utilities' retail electric service territories or in the combined service territory and as provided in Minnesota Statutes, chapter 216B;

(4) combine, share, or employ administrative, managerial, operational, or other staff which combining or sharing will not degrade safety, reliability, or customer service standards;

(5) provide for joint administrative functions, such as meter reading and billing;

(6) purchase or sell power utility services at wholesale for resale to customers;

(7) provide energy conservation programs, other utility programs, and public interest programs, such as cold weather shutoff protection, and energy conservation spending programs as required by law and rule; and

(8) participate as the parties deem necessary or appropriate in the provision of wholesale electric power utility services with other municipal utilities, rural electric cooperative utilities associations, investor-owned utilities, or other entities, public or private.

Subd. 3. [MONITOR AND REPORT.] The Kandiyohi cooperative electric power association and the Willmar municipal utilities commission shall monitor the progress and operation of the joint venture, and shall issue a report to the public utilities commission and legislative committees with jurisdiction over utility regulation and operation outlining the progress of the joint venture. The report required by this subdivision must be submitted not later than January 15, 1998.

Subd. 4. [CITY AUTHORITY.] This section shall be construed liberally to effectuate its legislative intent and purpose of allowing the municipal utilities commissions and the cooperative power associations named in subdivision 1 to operate joint ventures with the powers granted by this section. No additional authority is necessary to authorize the cities of Willmar and Jackson to form and operate joint ventures as provided in this section. The powers conferred by this section shall be in addition and supplemental to the powers conferred by any other law or charter. Any joint venture under this section, and the Willmar and Jackson municipal utilities commissions relative to any joint venture under this section, has all powers, privileges, responsibilities, and duties necessary or appropriate to effectuate the intent and purpose of this section, including but not limited to the expenditure of public funds and the transfer of real or personal property in accordance with the terms and conditions of the joint venture and the joint venture agreement. Nothing in this section shall be construed to supersede or modify any powers, privileges, or authority of the Willmar or Jackson municipal utilities commissions or the Kandiyohi or Federated cooperative electric power associations. The power of the Willmar city council or the Jackson city council to overrule or override an action of their respective municipal utilities commission as provided in the relevant city charter is not superseded but that power shall not extend to the actions of the joint venture. If there is a conflict or inconsistency between this section and any other law or any other charter provision, the provisions of this section shall prevail.

Subd. 5. [TELEPHONE EXCHANGE REQUIREMENT.] Nothing in this section shall permit the city of Willmar or the city of Jackson to establish a telephone exchange within the city unless it complies with the referendum requirements of section 237.19.

Sec. 2. [EFFECTIVE DATE.]

This act is effective the day following final enactment, except, that the authority granted to the Jackson municipal utilities commission and the Federated rural electric association by this act is effective February 1, 1998."

Delete the title and insert:

"A bill for an act relating to utilities; authorizing a municipal and cooperative utility to form joint ventures for the provision of utility services; amending Laws 1996, chapter 300, section 1."

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

Senate Conferees: (Signed) Dean E. Johnson, Steven G. Novak, James P. Metzen

House Conferees: (Signed) Al Juhnke, Loren Jennings, Elaine Harder

Mr. Johnson, D.E. moved that the foregoing recommendations and Conference Committee Report on S.F. No. 1419 be now adopted, and that the bill be repassed as amended by the Conference Committee. The motion prevailed. So the recommendations and Conference Committee Report were adopted.

S.F. No. 1419 was read the third time, as amended by the Conference Committee, and placed on its repassage.

The question was taken on the repassage of the bill, as amended by the Conference Committee.

The roll was called, and there were yeas 60 and nays 0, as follows:

Those who voted in the affirmative were:

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

So the bill, as amended by the Conference Committee, was repassed and its title was agreed to.

MOTIONS AND RESOLUTIONS - CONTINUED

S.F. No. 1208 and the Conference Committee Report thereon were reported to the Senate.

CONFERENCE COMMITTEE REPORT ON S.F. NO. 1208

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; regulating community purchasing arrangements; requiring certain studies; 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, 5, and by adding a subdivision; 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; 256.01, subdivision 2; 256.045, subdivision 3a; 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; 256.9358, subdivision 4; 256.9359, subdivision 2; 256.9363, subdivisions 1 and 5; 256.9657, subdivision 3; 256B.0625, subdivision 13; 256D.03, subdivision 3; 295.50, subdivisions 3, 4, 6, 7, 9b, 13, 14, and by adding a subdivision; 295.51, subdivision 1; 295.52, subdivisions 1, 1a, 2, 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; proposing coding for new law as Minnesota Statutes, chapter 62S; repealing Minnesota Statutes 1996, sections 62E.11, subdivision 12; 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.

May 17, 1997

The Honorable Allan H. Spear
President of the Senate

The Honorable Phil Carruthers
Speaker of the House of Representatives

We, the undersigned conferees for S.F. No. 1208, report that we have agreed upon the items in dispute and recommend as follows:

That the House recede from its amendments and that S.F. No. 1208 be further 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, 1997, 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, or who qualify under section 256.9354, subdivisions 1 to 4a, or section 256.9366 with family gross income that exceeds 175 percent of the federal poverty guidelines and who are not pregnant, is subject to an annual limit of \$10,000.

(b) Enrollees who qualify under section 256.9354, subdivision 5, or who qualify under section 256.9354, subdivisions 1 to 4a, or section 256.9366 with family gross income that exceeds 175 percent of the federal poverty guidelines and who are not pregnant, and 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 paid 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 the fee-for-service rate 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, adult enrollees who qualify under section 256.9354, subdivision 5, or who qualify under section 256.9354, subdivisions 1 to 4a, or section 256.9366 with family gross income that exceeds 175 percent of the federal poverty guidelines and who are not pregnant, 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 inpatient hospital benefit limit.~~

~~When a MinnesotaCare enrollee becomes a member of a prepaid health plan, or changes from one prepaid health plan to another during a calendar year, any charges submitted towards the \$10,000 annual inpatient benefit limit, and any out-of-pocket expenses incurred by the enrollee for inpatient services, that were submitted or incurred prior to enrollment, or prior to the change in health plans, shall be disregarded.~~

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.] (a) 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.

(b) In awarding the grants, the commissioner shall consider the following:

- (1) geographic areas and populations with high uninsured rates;
- (2) the ability to raise matching funds; and
- (3) the ability to contact or serve eligible populations.

The commissioner shall monitor the grants and may terminate a grant if the outreach effort does not increase the MinnesotaCare program enrollment.

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. 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 256.9358, subdivision 4, is amended to read:

Subd. 4. [INELIGIBILITY.] Families with children whose gross monthly income is above the amount specified in subdivision 3 are not eligible for the plan. ~~Beginning October 1, 1994, An individual or households with no children whose gross family income is greater than 125 percent of the federal poverty guidelines~~ the amount specified in section 256.9354, subdivision 5, are ineligible for the plan.

Sec. 14. 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. 15. Minnesota Statutes 1996, section 256.9362, subdivision 6, is amended to read:

Subd. 6. [ENROLLEES 18 OR OLDER.] Payment by the MinnesotaCare program for inpatient hospital services provided to MinnesotaCare enrollees eligible under section 256.9354, subdivision 5, or who qualify under section 256.9354, subdivisions 1 to 4a, or section 256.9366 with family gross income that exceeds 175 percent of the federal poverty guidelines and who are not pregnant, who are 18 years old or older on the date of admission to the inpatient hospital must be in accordance with paragraphs (a) and (b). Payment for adults who are not pregnant and are eligible under section 256.9354, subdivisions 1 to 4a, or section 256.9366, and whose incomes are equal to or less than 175 percent of the federal poverty guidelines, shall be as provided for under paragraph (c).

(a) If the medical assistance rate minus any copayment required under section 256.9353, subdivision 6, is less than or equal to the amount remaining in the enrollee's benefit limit under section 256.9353, subdivision 3, payment must be the medical assistance rate minus any copayment required under section 256.9353, subdivision 6. The hospital must not seek payment from the enrollee in addition to the copayment. The MinnesotaCare payment plus the copayment must be treated as payment in full.

(b) If the medical assistance rate minus any copayment required under section 256.9353, subdivision 6, is greater than the amount remaining in the enrollee's benefit limit under section 256.9353, subdivision 3, payment must be the lesser of:

(1) the amount remaining in the enrollee's benefit limit; or

(2) charges submitted for the inpatient hospital services less any copayment established under section 256.9353, subdivision 6.

The hospital may seek payment from the enrollee for the amount by which usual and customary charges exceed the payment under this paragraph. If payment is reduced under section 256.9353, subdivision 3, paragraph (c), the hospital may not seek payment from the enrollee for the amount of the reduction.

(c) For admissions occurring during the period of July 1, 1997, through June 30, 1998, for adults who are not pregnant and are eligible under section 256.9354, subdivisions 1 to 4a, or 256.9366, and whose incomes are equal to or less than 175 percent of the federal poverty guidelines, the commissioner shall pay hospitals directly, up to the medical assistance payment rate, for inpatient hospital benefits in excess of the \$10,000 annual inpatient benefit limit.

Sec. 16. 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. 17. [256.937] [ASSET REQUIREMENT FOR MINNESOTACARE.]

Subdivision 1. [DEFINITIONS.] For purposes of this section, the following definitions apply.

(a) "Asset" means cash and other personal property, as well as any real property, that a family or individual owns which has monetary value.

(b) "Homestead" means the home that is owned by, and is the usual residence of, the family or individual, together with the surrounding property which is not separated from the home by

intervening property owned by others. Public rights-of-way, such as roads that run through the surrounding property and separate it from the home, will not affect the exemption of the property. "Usual residence" includes the home from which the family or individual is temporarily absent due to illness, employment, or education, or because the home is temporarily not habitable due to casualty or natural disaster.

(c) "Net asset" means the asset's fair market value minus any encumbrances including, but not limited to, liens and mortgages.

Subd. 2. [LIMIT ON TOTAL ASSETS.] (a) Effective April 1, 1997, or upon federal approval, whichever is later, in order to be eligible for the MinnesotaCare program, a household of two or more persons must not own more than \$30,000 in total net assets, and a household of one person must not own more than \$15,000 in total net assets.

(b) For purposes of this subdivision, total net assets include all assets, with the following exceptions:

(1) a homestead is not considered;

(2) household goods and personal effects are not considered;

(3) any assets owned by children;

(4) vehicles used for employment;

(5) court ordered settlements up to \$10,000;

(6) individual retirement accounts; and

(7) capital and operating assets of a trade or business up to \$200,000 in net assets are not considered.

(c) If an asset excluded under paragraph (b) has a negative value, the negative value shall be subtracted from the total net assets under paragraph (a).

Subd. 3. [DOCUMENTATION.] (a) The commissioner of human services shall require individuals and families, at the time of application or renewal, to indicate on a checkoff form developed by the commissioner whether they satisfy the MinnesotaCare asset requirement. This form must include the following or similar language: "To be eligible for MinnesotaCare, individuals and families must not own net assets in excess of \$30,000 for a household of two or more persons or \$15,000 for a household of one person, not including a homestead, household goods and personal effects, assets owned by children, vehicles used for employment, court ordered settlements up to \$10,000, individual retirement accounts, and capital and operating assets of a trade or business up to \$200,000. Do you and your household own net assets in excess of these limits?"

(b) The commissioner may require individuals and families to provide any information the commissioner determines necessary to verify compliance with the asset requirement, if the commissioner determines that there is reason to believe that an individual or family has assets that exceed the program limit.

Subd. 4. [PENALTIES.] Individuals or families who are found to have knowingly misreported the amount of their assets as described in this section shall be subject to the penalties in section 256.98. The commissioner shall present recommendations on additional penalties to the 1998 legislature.

Subd. 5. [EXEMPTION.] This section does not apply to pregnant women. For purposes of this subdivision, a woman is considered pregnant for 60 days postpartum.

Sec. 18. [256.9371] [PENALTIES.]

Whoever obtains or attempts to obtain, or aids or abets any person to obtain by means of a

willfully false statement or representation, or by the intentional withholding or concealment of a material fact, or by impersonation, or other fraudulent device:

(1) benefits under the MinnesotaCare program to which the person is not entitled; or

(2) benefits under the MinnesotaCare program greater than that to which the person is reasonably entitled;

shall be considered to have violated section 256.98, and shall be subject to both the criminal and civil penalties provided under that section.

Sec. 19. 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, ~~or except for families with children who are eligible under Minnesota family investment program-statewide (MFIP-S), who is having a payment made on the person's behalf under sections 256I.01 to 256I.06, or who resides in group residential housing as defined in chapter 256I and can meet a spenddown using the cost of remedial services received through group residential housing; 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. 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).

(c) The date of an initial Minnesota health care program application necessary to begin a determination of eligibility shall be the date the applicant has provided a name, address, and social security number, signed and dated, to the county agency or the department of human services. If the applicant is unable to provide an initial application when health care is delivered due to a medical condition or disability, a health care provider may act on the person's behalf to complete the initial application. The applicant must complete the remainder of the application and provide necessary verification before eligibility can be determined. The county agency must assist the applicant in obtaining verification if necessary.

(d) 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.

(e) 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.

(f) 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.

(g) 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) (h) 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) (i) 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) (j) For purposes of ~~paragraph~~ paragraphs (f) and (h), "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. 20. [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 report to the legislature by January 15, 1998, on the impact of the outreach efforts for the MinnesotaCare program, and on the reasons why enrollees are leaving the MinnesotaCare program, and make recommendations on:

- (1) the affordability of the MinnesotaCare premium schedule;
- (2) the eligibility income level for the MinnesotaCare program that will result in the greatest number of individuals having health coverage;
- (3) what will encourage greater availability of health coverage in the private market;
- (4) steps to increase the availability of health coverage in the small employer market;
- (5) the need, if any, and the feasibility of increasing the MinnesotaCare program income eligibility level for individuals and households without children; and
- (6) the possibility of alternative premium payments and of waiving the premiums for the MinnesotaCare program for certain low-income enrollees.

Sec. 21. [INPATIENT BENEFIT LIMIT PILOT PROJECT.]

The commissioner of human services shall develop a pilot project in a designated area of the state to determine whether the presence of the \$10,000 inpatient hospital benefit limit prevents erosion of the private health insurance market by eliminating the \$10,000 inpatient benefit limit for that area of the state. The commissioner shall work with the legislative commission on health care access in designing the elements of the pilot project.

Sec. 22. [EFFECTIVE DATE.]

Section 3, subdivision 7, clause (1), 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.021, subdivision 1, is amended to read:

Subdivision 1. [LOSS RATIO STANDARDS.] (a) Notwithstanding section 62A.02, subdivision 3, relating to loss ratios, health care policies or certificates shall not be delivered or issued for delivery to an individual or to a small employer as defined in section 62L.02, unless the policies or certificates can be expected, as estimated for the entire period for which rates are computed to provide coverage, to return to Minnesota policyholders and certificate holders in the form of aggregate benefits not including anticipated refunds or credits, provided under the policies or certificates, (1) at least 75 percent of the aggregate amount of premiums earned in the case of policies issued in the small employer market, as defined in section 62L.02, subdivision 27, calculated on an aggregate basis; and (2) at least 65 percent of the aggregate amount of premiums earned in the case of each policy form or certificate form issued in the individual market; calculated on the basis of incurred claims experience or incurred health care expenses where coverage is provided by a health maintenance organization on a service rather than reimbursement basis and earned premiums for the period and according to accepted actuarial principles and practices. Assessments by the reinsurance association created in chapter 62L and any all types of taxes, surcharges, or assessments created by Laws 1992, chapter 549, or created on or after April 23, 1992, are included in the calculation of incurred claims experience or incurred health care expenses. The applicable percentage for policies and certificates issued in the small employer market, as defined in section 62L.02, increases by one percentage point on July 1 of each year, beginning on July 1, 1994, until an 82 percent loss ratio is reached on July 1, 2000. The applicable percentage for policy forms and certificate forms issued in the individual market increases by one percentage point on July 1 of each year, beginning on July 1, 1994, until a 72 percent loss ratio is reached on July 1, 2000. A health carrier that enters a market after July 1, 1993, does not start at the beginning of the phase-in schedule and must instead comply with the loss ratio requirements applicable to other health carriers in that market for each time period. Premiums earned and claims incurred in markets other than the small employer and individual markets are not relevant for purposes of this section.

~~Notwithstanding section 645.26, any act enacted at the 1992 regular legislative session that amends or repeals section 62A.135 or that otherwise changes the loss ratios provided in that section is void.~~

(b) All filings of rates and rating schedules shall demonstrate that actual expected claims in relation to premiums comply with the requirements of this section when combined with actual experience to date. Filings of rate revisions shall also demonstrate that the anticipated loss ratio over the entire future period for which the revised rates are computed to provide coverage can be expected to meet the appropriate loss ratio standards, and aggregate loss ratio from inception of the policy form or certificate form shall equal or exceed the appropriate loss ratio standards.

(c) A health carrier that issues health care policies and certificates to individuals or to small employers, as defined in section 62L.02, in this state shall file annually its rates, rating schedule, and supporting documentation including ratios of incurred losses to earned premiums by policy form or certificate form duration for approval by the commissioner according to the filing requirements and procedures prescribed by the commissioner. The supporting documentation shall also demonstrate in accordance with actuarial standards of practice using reasonable assumptions that the appropriate loss ratio standards can be expected to be met over the entire period for which rates are computed. The demonstration shall exclude active life reserves. If the data submitted does not confirm that the health carrier has satisfied the loss ratio requirements of this section, the commissioner shall notify the health carrier in writing of the deficiency. The health carrier shall

have 30 days from the date of the commissioner's notice to file amended rates that comply with this section. If the health carrier fails to file amended rates within the prescribed time, the commissioner shall order that the health carrier's filed rates for the nonconforming policy form or certificate form be reduced to an amount that would have resulted in a loss ratio that complied with this section had it been in effect for the reporting period of the supplement. The health carrier's failure to file amended rates within the specified time or the issuance of the commissioner's order amending the rates does not preclude the health carrier from filing an amendment of its rates at a later time. The commissioner shall annually make the submitted data available to the public at a cost not to exceed the cost of copying. The data must be compiled in a form useful for consumers who wish to compare premium charges and loss ratios.

(d) Each sale of a policy or certificate that does not comply with the loss ratio requirements of this section is an unfair or deceptive act or practice in the business of insurance and is subject to the penalties in sections 72A.17 to 72A.32.

(e)(1) For purposes of this section, health care policies issued as a result of solicitations of individuals through the mail or mass media advertising, including both print and broadcast advertising, shall be treated as individual policies.

(2) For purposes of this section, (1) (i) "health care policy" or "health care certificate" is a health plan as defined in section 62A.011; and (2) (ii) "health carrier" has the meaning given in section 62A.011 and includes all health carriers delivering or issuing for delivery health care policies or certificates in this state or offering these policies or certificates to residents of this state.

(f) The loss ratio phase-in as described in paragraph (a) does not apply to individual policies and small employer policies issued by a health plan company that is assessed less than three percent of the total annual amount assessed by the Minnesota comprehensive health association. These policies must meet a 68 percent loss ratio for individual policies, a 71 percent loss ratio for small employer policies with fewer than ten employees, and a 75 percent loss ratio for all other small employer policies.

(g) The commissioners of commerce and health shall each annually issue a public report listing, by health plan company, the actual loss ratios experienced in the individual and small employer markets in this state by the health plan companies that the commissioners respectively regulate. The commissioners shall coordinate release of these reports so as to release them as a joint report or as separate reports issued the same day. The report or reports shall be released no later than June 1 for loss ratios experienced for the preceding calendar year. Health plan companies shall provide to the commissioners any information requested by the commissioners for purposes of this paragraph.

Sec. 3. Minnesota Statutes 1996, section 62A.021, is amended by adding a subdivision to read:

Subd. 3. [LOSS RATIO DISCLOSURE.] (a) Each health care policy form or health care certificate form for which subdivision 1 requires compliance with a loss ratio requirement shall prominently display the disclosure provided in paragraph (b) on its declarations sheet if it has one and, if not, on its front page. The disclosure must also be prominently displayed in any marketing materials used in connection with it.

(b) The disclosure must be in the following format:

Notice: This disclosure is required by Minnesota law. This policy or certificate is expected to return on average (fill in anticipated loss ratio approved by the commissioner) percent of your premium dollar for health care. The lowest percentage permitted by state law for this policy or certificate is (fill in applicable minimum loss ratio).

(c) This subdivision applies to policies and certificates issued on or after January 1, 1998.

Sec. 4. Minnesota Statutes 1996, section 62A.316, is amended to read:

62A.316 [BASIC MEDICARE SUPPLEMENT PLAN; COVERAGE.]

(a) The basic Medicare supplement plan must have a level of coverage that will provide:

(1) coverage for all of the Medicare part A inpatient hospital coinsurance amounts, and 100 percent of all Medicare part A eligible expenses for hospitalization not covered by Medicare, after satisfying the Medicare part A deductible;

(2) coverage for the daily copayment amount of Medicare part A eligible expenses for the calendar year incurred for skilled nursing facility care;

(3) coverage for the copayment amount of Medicare eligible expenses under Medicare part B regardless of hospital confinement, subject to the Medicare part B deductible amount;

(4) 80 percent of the hospital and medical expenses and supplies incurred during travel outside the United States as a result of a medical emergency;

(5) coverage for the reasonable cost of the first three pints of blood, or equivalent quantities of packed red blood cells as defined under federal regulations under Medicare parts A and B, unless replaced in accordance with federal regulations; and

(6) 100 percent of the cost of immunizations and routine screening procedures for cancer screening including mammograms and pap smears.

(b) Only the following optional benefit riders may be added to this plan:

(1) coverage for all of the Medicare part A inpatient hospital deductible amount;

(2) a minimum of 80 percent of eligible medical expenses and supplies not covered by Medicare part B, not to exceed any charge limitation established by the Medicare program or state law;

(3) coverage for all of the Medicare part B annual deductible;

(4) coverage for at least 50 percent, or the equivalent of 50 percent, of usual and customary prescription drug expenses;

(5) coverage for the following preventive health services:

(i) an annual clinical preventive medical history and physical examination that may include tests and services from clause (ii) and patient education to address preventive health care measures;

(ii) any one or a combination of the following preventive screening tests or preventive services, the frequency of which is considered medically appropriate:

(A) fecal occult blood test and/or digital rectal examination;

(B) dipstick urinalysis for hematuria, bacteriuria, and proteinuria;

(C) pure tone (air only) hearing screening test, administered or ordered by a physician;

(D) serum cholesterol screening every five years;

(E) thyroid function test;

(F) diabetes screening;

(iii) any other tests or preventive measures determined appropriate by the attending physician.

Reimbursement shall be for the actual charges up to 100 percent of the Medicare-approved amount for each service, as if Medicare were to cover the service as identified in American Medical Association current procedural terminology (AMA CPT) codes, to a maximum of \$120 annually under this benefit. This benefit shall not include payment for a procedure covered by Medicare;

(6) coverage for services to provide short-term at-home assistance with activities of daily living for those recovering from an illness, injury, or surgery:

(i) For purposes of this benefit, the following definitions apply:

(A) "activities of daily living" include, but are not limited to, bathing, dressing, personal hygiene, transferring, eating, ambulating, assistance with drugs that are normally self-administered, and changing bandages or other dressings;

(B) "care provider" means a duly qualified or licensed home health aide/homemaker, personal care aid, or nurse provided through a licensed home health care agency or referred by a licensed referral agency or licensed nurses registry;

(C) "home" means a place used by the insured as a place of residence, provided that the place would qualify as a residence for home health care services covered by Medicare. A hospital or skilled nursing facility shall not be considered the insured's place of residence;

(D) "at-home recovery visit" means the period of a visit required to provide at-home recovery care, without limit on the duration of the visit, except each consecutive four hours in a 24-hour period of services provided by a care provider is one visit;

(ii) Coverage requirements and limitations:

(A) at-home recovery services provided must be primarily services that assist in activities of daily living;

(B) the insured's attending physician must certify that the specific type and frequency of at-home recovery services are necessary because of a condition for which a home care plan of treatment was approved by Medicare;

(C) coverage is limited to:

(I) no more than the number and type of at-home recovery visits certified as necessary by the insured's attending physician. The total number of at-home recovery visits shall not exceed the number of Medicare-approved home care visits under a Medicare-approved home care plan of treatment;

(II) the actual charges for each visit up to a maximum reimbursement of \$40 per visit;

(III) \$1,600 per calendar year;

(IV) seven visits in any one week;

(V) care furnished on a visiting basis in the insured's home;

(VI) services provided by a care provider as defined in this section;

(VII) at-home recovery visits while the insured is covered under the policy or certificate and not otherwise excluded;

(VIII) at-home recovery visits received during the period the insured is receiving Medicare-approved home care services or no more than eight weeks after the service date of the last Medicare-approved home health care visit;

(iii) Coverage is excluded for:

(A) home care visits paid for by Medicare or other government programs; and

(B) care provided by family members, unpaid volunteers, or providers who are not care providers;

(7) coverage for at least 50 percent, or the equivalent of 50 percent, of usual and customary prescription drug expenses to a maximum of \$1,200 paid by the issuer annually under this benefit.

An issuer of Medicare supplement insurance policies that elects to offer this benefit rider shall also make available coverage that contains the rider specified in clause (4).

Sec. 5. 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. 6. Minnesota Statutes 1996, section 62D.02, subdivision 5, is amended to read:

Subd. 5. "Evidence of coverage" means any certificate, agreement or contract, and amendments thereto, issued to an enrollee which sets out the coverage to which the enrollee is entitled under the health maintenance contract which covers the enrollee.

Sec. 7. Minnesota Statutes 1996, section 62D.09, subdivision 3, is amended to read:

Subd. 3. Every health maintenance organization or its representative shall annually, before June 1, provide to its enrollees the following: (1) a summary of its most recent annual financial statement including a balance sheet and statement of receipts and disbursements; (2) a description of the health maintenance organization, its health care plan or plans, its facilities and personnel, any material changes therein since the last report; (3) the current evidence of coverage, or ~~contract amendments thereto~~; and (4) a statement of consumer information and rights as described in section 62D.07, subdivision 3, paragraph (c). Under clause (3), a health maintenance organization may annually alternate between providing enrollees with amendments and providing current evidence of coverage.

Sec. 8. Minnesota Statutes 1996, section 62E.11, subdivision 5, is amended to read:

Subd. 5. Each contributing member of the association shall share the losses due to claims expenses of the comprehensive health insurance plan for plans issued or approved for issuance by the association, and shall share in the operating and administrative expenses incurred or estimated to be incurred by the association incident to the conduct of its affairs. Claims expenses of the state plan which exceed the premium payments allocated to the payment of benefits shall be the liability of the contributing members. Contributing members shall share in the claims expense of the state plan and operating and administrative expenses of the association in an amount equal to the ratio of the contributing member's total accident and health insurance premium, received from or on

behalf of Minnesota residents as divided by the total accident and health insurance premium, received by all contributing members from or on behalf of Minnesota residents, as determined by the commissioner. Payments made by the state to a contributing member for medical assistance, MinnesotaCare, or general assistance medical care services according to chapters 256, 256B, and 256D shall be excluded when determining a contributing member's total premium.

Sec. 9. 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. 10. 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. 11. 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. 12. 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. 13. Minnesota Statutes 1996, section 62J.09, subdivision 1, is amended to read:

Subdivision 1. [GENERAL DUTIES.] (a) The commissioner shall divide the state into six regions, one of these regions being the seven-county metropolitan area.

~~The~~ (b) Each region shall establish a locally controlled regional coordinating ~~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. 14. 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. 15. 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. 16. Minnesota Statutes 1996, section 62J.152, is amended by adding a subdivision to read:

Subd. 1a. [LEGISLATIVE ACTION.] Nothing in subdivision 1 shall be construed to:

(1) require the legislature to postpone hearings or legislative action on a proposed benefit mandate; or

(2) require the legislature to act in accordance with any recommendations of the health technology advisory committee.

Sec. 17. 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. The committee shall present its list of technologies for evaluation to the legislative commission on health care access for review.

Sec. 18. 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 commissioner and the 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. 19. 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. 20. Minnesota Statutes 1996, section 62J.152, is amended by adding a subdivision to read:

Subd. 8. [REPEALER.] This section and sections 62J.15 and 62J.156 are repealed effective July 1, 2001.

Sec. 21. 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. 22. 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. 23. 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. 24. 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. 25. 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. 26. 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. 27. 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. 28. 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. 29. 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. 30. 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. 31. 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. 32. 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. 33. 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. 34. 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. 35. 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. 36. 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. 37. 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. 38. 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. 39. 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. 40. 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. 41. 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. 42. 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, a hospital district created or reorganized under sections 447.31 to 447.37, an Indian tribal government, an Indian health service unit, or a 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. 43. 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. 44. 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. 45. [62Q.52] [REFERRALS FOR RESIDENTS OF HEALTH CARE FACILITIES.]

If an enrollee is a resident of a health care facility licensed under chapter 144A or a housing with services establishment registered under chapter 144D, the enrollee's primary care physician must refer the enrollee to that facility's skilled nursing unit or that facility's appropriate care setting, provided that the health plan company and the provider can best meet the patient's needs in that setting, if the following conditions are met:

(1) the facility agrees to be reimbursed at that health plan company's contract rate negotiated with similar providers for the same services and supplies; and

(2) the facility meets all guidelines established by the health plan company related to quality of care, utilization, referral authorization, risk assumption, use of health plan company network, and other criteria applicable to providers under contract for the same services and supplies.

Sec. 46. [62Q.65] [ACCESS TO PROVIDER DISCOUNTS.]

Subdivision 1. [REQUIREMENT.] A high deductible health plan must, when used in connection with a medical savings account, provide the enrollee access to any discounted provider fees for services covered by the high deductible health plan, regardless of whether the enrollee has satisfied the deductible for the high deductible health plan.

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

(1) "high deductible health plan" has the meaning given under the Internal Revenue Code of 1986, section 220(c)(2);

(2) "medical savings account" has the meaning given under the Internal Revenue Code of 1986, section 220(d)(1); and

(3) "discounted provider fees" means fees contained in a provider agreement entered into by the issuer of the high deductible health plan, or an affiliate of the issuer, for use in connection with the high deductible health plan.

Sec. 47. 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. 48. 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 ~~400~~ 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. 49. 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. 50. 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. 51. 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. 52. [144.1475] [RURAL HOSPITAL DEMONSTRATION PROJECT.]

Subdivision 1. [ESTABLISHMENT.] The commissioner of health, for the biennium ending June 30, 1999, shall establish at least three demonstration projects per fiscal year to assist rural hospitals in the planning and implementation process to either consolidate or cooperate with another existing hospital in its service area to provide better quality health care to its community. A demonstration project must include at least two eligible hospitals. For purposes of this section, an "eligible hospital" means a hospital that:

- (1) is located outside the seven-county metropolitan area;
- (2) has 50 or fewer licensed beds; and
- (3) is located within a 25-mile radius of another hospital.

At least one of the eligible hospitals in a demonstration project must have had a negative operating margin during one of the two years prior to application.

Subd. 2. [APPLICATION.] (a) An eligible hospital seeking to be a participant in a demonstration project must submit an application to the commissioner of health detailing the hospital's efforts to consolidate health care delivery in its service area, cooperate with another hospital in the delivery of health care, or both consolidate and cooperate. Applications must be submitted by October 15 of each fiscal year for grants awarded for that fiscal year.

(b) Applications must:

(1) describe the problem that the proposed consolidation or cooperation will address, the consolidation or cooperation project, how the grant funds will be used, what will be accomplished, and the results expected;

(2) describe achievable objectives, a timetable, and the roles and capabilities of responsible individuals and organizations;

(3) include written commitments from the applicant hospital and at least one other hospital that will participate in the consolidation or cooperation demonstration project, that specify the activities the organization will undertake during the project, the resources the organization will contribute to the demonstration project, and the expected role and nature of the organization's involvement in proposed consolidation or cooperation activities; and

(4) provide evidence of support for the proposed project from other local health service providers and from local community and government leaders.

Subd. 3. [GRANTS.] The commissioner of health shall allocate a grant of up to \$100,000 to the highest scoring applicants each year until available funding is expended. Grants may be used by eligible hospitals to:

- (1) conduct consolidation or cooperation negotiations;
- (2) develop consolidation or cooperation plans, including financial plans and architectural designs;

(3) seek community input and conduct community education on proposed or planned consolidations or cooperative activities; and

(4) implement consolidation or cooperation plans.

Subd. 4. [CONSIDERATION OF GRANTS.] In evaluating applications, the commissioner shall score each application on a 100 point scale, assigning: a maximum of 40 points for an applicant's understanding of the problem, description of the project, and likelihood of successful outcome of the project; a maximum of 30 points for explicit and unequivocal written commitments from organizations participating in the project; a maximum of 20 points for matching funds or in-kind services committed by the applicant or others to the project; and a maximum of ten points for the extent of community support for the project. The commissioner shall consider the comments, if any, resulting from a review of the application by the community health board in whose community health service area the applicant is located. The commissioner may also take into account other relevant factors.

Subd. 5. [EVALUATION.] The commissioner of health shall evaluate the overall effectiveness of the demonstration projects and report to the legislature by September 1, 2000. The commissioner may collect, from the hospitals receiving grants, any information necessary to evaluate the demonstration project.

Sec. 53. [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. 54. 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. 55. Minnesota Statutes 1996, section 256.045, subdivision 3a, is amended to read:

Subd. 3a. [PREPAID HEALTH PLAN APPEALS.] (a) All prepaid health plans under contract to the commissioner under chapter 256B or 256D must provide for a complaint system according to section 62D.11. When a prepaid health plan denies, reduces, or terminates a health service or

denies a request to authorize a previously authorized health service, the prepaid health plan must notify the recipient of the right to file a complaint or an appeal. The notice must include the name and telephone number of the ombudsman and notice of the recipient's right to request a hearing under paragraph (b). When a complaint is filed, the prepaid health plan must notify the ombudsman within three working days. Recipients may request the assistance of the ombudsman in the complaint system process. The prepaid health plan must issue a written resolution of the complaint to the recipient within 30 days after the complaint is filed with the prepaid health plan. A recipient is not required to exhaust the complaint system procedures in order to request a hearing under paragraph (b).

(b) Recipients enrolled in a prepaid health plan under chapter 256B or 256D may contest a prepaid health plan's denial, reduction, or termination of health services, a prepaid health plan's denial of a request to authorize a previously authorized health service, or the prepaid health plan's written resolution of a complaint by submitting a written request for a hearing according to subdivision 3. A state human services referee shall conduct a hearing on the matter and shall recommend an order to the commissioner of human services. The commissioner need not grant a hearing if the sole issue raised by a recipient is the commissioner's authority to require mandatory enrollment in a prepaid health plan in a county where prepaid health plans are under contract with the commissioner. The state human services referee may order a second medical opinion from the prepaid health plan or may order a second medical opinion from a nonprepaid health plan provider at the expense of the prepaid health plan. Recipients may request the assistance of the ombudsman in the appeal process.

(c) In the written request for a hearing to appeal from a prepaid health plan's denial, reduction, or termination of a health service, a prepaid health plan's denial of a request to authorize a previously authorized service, or the prepaid health plan's written resolution to a complaint, a recipient may request an expedited hearing. If an expedited appeal is warranted, the state human services referee shall hear the appeal and render a decision within a time commensurate with the level of urgency involved, based on the individual circumstances of the case.

Sec. 56. 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. 57. 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. 58. [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 on the continued viability of the program, including 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. 59. [MCHA STANDARDS STUDY.]

The commissioner of commerce, in consultation with the commissioner of health, shall study and make recommendations regarding the feasibility of establishing a comprehensive set of eligibility standards for coverage under the Minnesota comprehensive health association and on guaranteed issuance in the individual market for individuals who do not meet the eligibility standards for coverage under the Minnesota comprehensive health association. The recommendations shall be reported to the legislature by January 15, 1998.

Sec. 60. [PRESCRIPTION DRUG INSURANCE PROGRAM.]

The commissioner of commerce shall study the feasibility of providing an insurance program to provide prescription drugs to Minnesotans who are 65 and older. The program shall be administered by the Minnesota comprehensive health association, but shall be separate from the health coverage programs operated by the association under Minnesota Statutes, chapter 62E. In studying the feasibility of the program, the commissioner shall incorporate, to the extent feasible, the administrative procedures and health care delivery methods used by the association under Minnesota Statutes, chapter 62E. The commissioner shall study the program based upon independent actuarial analysis, and shall present recommendations to the legislature by December 15, 1997.

Sec. 61. [PUBLIC PROGRAMS RATE SETTING AND RISK ADJUSTMENT.]

The commissioners of health and of human services shall submit a coordinated report on rate setting and risk adjustment methods to the legislature by February 1, 1998. An interim report shall be provided to the legislative commission on health care access to facilitate a public hearing and testimony prior to the 1998 legislative session. Changes in the rate setting and risk adjustment methods shall not be implemented until after the 1998 legislative session.

Sec. 62. [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. 63. [REPEALER.]

(a) Minnesota Statutes 1996, sections 62E.11, subdivision 12; 62J.03, subdivision 3; 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. 64. [EFFECTIVE DATE.]

Section 23 is effective the day following final enactment. Section 46 is effective January 1, 1998, and applies to high deductible health plans issued or renewed on or after that date.

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), (g), and (h), 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~~ service 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 determined under paragraph (g) or (h).

(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) For calendar years 1998 and 1999, the installments for health maintenance organizations, community integrated service networks, and nonprofit health service plan corporations must be based on an amount equal to one percent of premiums described under paragraph (b). Health

maintenance organizations, community integrated service networks, and nonprofit health service 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 exempt from payment of the tax imposed under this section for premiums paid after March 30, 1997, and before April 1, 1998. Health maintenance organizations, community integrated service networks, and nonprofit health service 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 exempt from payment of the tax imposed under this section for premiums paid after March 30, 1998, and before April 1, 1999.

(h) For calendar years after 1999, the commissioner of finance shall determine the balance of the health care access fund on September 1 of each year beginning September 1, 1999. If the commissioner determines that there is no structural deficit for the next fiscal year, no tax shall be imposed under paragraph (d) for the following calendar year. If the commissioner determines that there will be a structural deficit in the fund for the following fiscal year, then the commissioner, in consultation with the commissioner of revenue, shall determine the amount needed to eliminate the structural deficit and a tax shall be imposed under paragraph (d) for the following calendar year. The commissioner shall determine the rate of the tax as either one-quarter of one percent, one-half of one percent, three-quarters of one percent, or one percent of premiums described in paragraph (b), whichever is the lowest of those rates that the commissioner determines will produce sufficient revenue to eliminate the projected structural deficit. The commissioner of finance shall publish in the State Register by October 1 of each year the amount of tax to be imposed for the following calendar year.

(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 ensure that any exemption from the tax as described in paragraphs (g) and (h) 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 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. 9. 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. 10. 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. 11. 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~~ multiplied by the tax percentage specified in this section. Liability for the tax is incurred when prescription drugs are received or delivered in Minnesota by the person.

Sec. 12. 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. 13. 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 1.5 percent of the gross revenues received on or after January 1, 1998, and before January 1, 2000. The commissioner shall extend the reduced tax rate of 1.5 percent for gross revenues received on or after January 1, 2000, and before January 1, 2002, if the commissioner of finance determines that the health care access fund structural balance projected for fiscal year 2001 will remain positive, prior to any increase of the one percent premium tax under section 60A.15, subdivision 1, paragraph (h), and prior to any tax expenditures related to the increase in the maximum tax credit for research expenses under section 295.53, subdivision 4, as amended by this act.

Sec. 14. 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~~ 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. 15. 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 multiplied by the tax percentage specified in section 295.52.~~ two percent of based on the retail price. Pharmacies must not state the tax obligation as ~~two percent of~~ based on 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. 16. 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(e)(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;

(4) (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 tax percentage specified in section 295.52. The commissioner shall pay the refund no later than May 15 of the calendar year.

(e) This subdivision expires January 1, 2000.

Sec. 17. Minnesota Statutes 1996, section 295.53, is amended by adding a subdivision to read:

Subd. 4a. [CREDIT FOR RESEARCH.] (a) In addition to the exemptions allowed under subdivision 1, a hospital or health care provider may claim an annual credit against the total amount of tax, if any, the hospital or health care provider owes for that calendar year under sections 295.50 to 295.57. The credit shall equal 2.5 percent of revenues for patient services used to fund expenditures for qualifying research conducted by an allowable research program. The amount of the credit shall not exceed the tax liability of the hospital or health care provider under sections 295.50 to 295.57.

(b) For purposes of this subdivision, the following requirements apply:

(1) expenditures must be for program costs 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 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;

(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;

(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

(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 credit 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.

(d) The taxpayer shall apply for the credit under this section on the annual return under section 295.55, subdivision 5.

(e) Beginning September 1, 2000, if the actual or estimated amount paid under this section for the calendar year exceeds \$2,500,000, the commissioner of finance shall determine the rate of the research credit for the following calendar year to the nearest one-half percent so that refunds paid under this section will most closely equal \$2,500,000. The commissioner of finance shall publish in the State Register by October 1 of each year the rate of the credit for the following calendar year. A determination under this section is not subject to the rulemaking provisions of chapter 14.

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, multiplied by the tax percentage specified in section 295.52. 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 tax percentage specified in section 295.52 multiplied against the gross revenues received under the third-party contract, and two percent of the tax percentage specified in section 295.52 multiplied against copayments and deductibles paid by the individual patient or consumer. 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. [MCHA ASSESSMENT OFFSET.]

In approving the premium rates as required in Minnesota Statutes, sections 62A.65, subdivision 3, and 62L.08, subdivision 8, the commissioners of health and commerce shall ensure that any appropriation to reduce the annual assessment made on the contributing members to cover the costs of the Minnesota comprehensive health insurance plan as required under Minnesota Statutes, section 62E.11, is reflected in the premium rate of each contributing member.

Sec. 23. [REPEALER.]

(a) Minnesota Statutes 1996, sections 295.52, subdivision 1b; and 295.53, subdivision 5, are repealed.

(b) Laws 1997, chapters 31, article 4; and 84, article 4, are repealed. Notwithstanding Minnesota Statutes, section 645.34, the sections of statutes amended by the laws repealed under this paragraph remain in effect as if not so amended.

Sec. 24. [EFFECTIVE DATES.]

Section 2, subdivision 1, paragraph (f), is effective for payments, revenues, and reimbursements received from the federal government on or after December 31, 1996.

Sections 1 and 3 are effective July 1, 1997.

Sections 4, 5, 6, 9 to 13, 15, and 19 are effective for gross revenues received after December 31, 1997.

Section 14, subdivision 1, paragraph (a), clause (6), and paragraph (b) are effective the day following final enactment. Section 14, paragraph (a), clause (17), is effective for gross revenues received for hearing aids and related equipment or prescription eyewear after December 31, 1997.

Section 18 is effective January 1, 1998. Section 21, paragraph (a), is effective January 1, 1998.

Section 20 is effective for estimated payments due after July 1, 1997.

Sections 7, 8, and 21, paragraphs (c) and (d), are effective the day following final enactment.

Section 16 is effective for research expenditures incurred after December 31, 1995. Section 17 is effective for research expenditures incurred after December 31, 1999.

Section 23 is effective January 1, 1998.

ARTICLE 4

SENIOR CITIZEN DRUG PROGRAM

Section 1. Minnesota Statutes 1996, section 256.01, subdivision 2, is amended to read:

Subd. 2. [SPECIFIC POWERS.] Subject to the provisions of section 241.021, subdivision 2, the commissioner of human services shall:

(1) Administer and supervise all forms of public assistance provided for by state law and other welfare activities or services as are vested in the commissioner. Administration and supervision of human services activities or services includes, but is not limited to, assuring timely and accurate distribution of benefits, completeness of service, and quality program management. In addition to administering and supervising human services activities vested by law in the department, the commissioner shall have the authority to:

(a) require county agency participation in training and technical assistance programs to promote compliance with statutes, rules, federal laws, regulations, and policies governing human services;

(b) monitor, on an ongoing basis, the performance of county agencies in the operation and administration of human services, enforce compliance with statutes, rules, federal laws, regulations, and policies governing welfare services and promote excellence of administration and program operation;

(c) develop a quality control program or other monitoring program to review county performance and accuracy of benefit determinations;

(d) require county agencies to make an adjustment to the public assistance benefits issued to any individual consistent with federal law and regulation and state law and rule and to issue or recover benefits as appropriate;

(e) delay or deny payment of all or part of the state and federal share of benefits and administrative reimbursement according to the procedures set forth in section 256.017; and

(f) make contracts with and grants to public and private agencies and organizations, both profit and nonprofit, and individuals, using appropriated funds.

(2) Inform county agencies, on a timely basis, of changes in statute, rule, federal law, regulation, and policy necessary to county agency administration of the programs.

(3) Administer and supervise all child welfare activities; promote the enforcement of laws protecting handicapped, dependent, neglected and delinquent children, and children born to mothers who were not married to the children's fathers at the times of the conception nor at the births of the children; license and supervise child-caring and child-placing agencies and institutions; supervise the care of children in boarding and foster homes or in private institutions; and generally perform all functions relating to the field of child welfare now vested in the state board of control.

(4) Administer and supervise all noninstitutional service to handicapped persons, including those who are visually impaired, hearing impaired, or physically impaired or otherwise handicapped. The commissioner may provide and contract for the care and treatment of qualified indigent children in facilities other than those located and available at state hospitals when it is not feasible to provide the service in state hospitals.

(5) Assist and actively cooperate with other departments, agencies and institutions, local, state, and federal, by performing services in conformity with the purposes of Laws 1939, chapter 431.

(6) Act as the agent of and cooperate with the federal government in matters of mutual concern relative to and in conformity with the provisions of Laws 1939, chapter 431, including the administration of any federal funds granted to the state to aid in the performance of any functions of the commissioner as specified in Laws 1939, chapter 431, and including the promulgation of rules making uniformly available medical care benefits to all recipients of public assistance, at such times as the federal government increases its participation in assistance expenditures for

medical care to recipients of public assistance, the cost thereof to be borne in the same proportion as are grants of aid to said recipients.

(7) Establish and maintain any administrative units reasonably necessary for the performance of administrative functions common to all divisions of the department.

(8) Act as designated guardian of both the estate and the person of all the wards of the state of Minnesota, whether by operation of law or by an order of court, without any further act or proceeding whatever, except as to persons committed as mentally retarded.

(9) Act as coordinating referral and informational center on requests for service for newly arrived immigrants coming to Minnesota.

(10) The specific enumeration of powers and duties as hereinabove set forth shall in no way be construed to be a limitation upon the general transfer of powers herein contained.

(11) Establish county, regional, or statewide schedules of maximum fees and charges which may be paid by county agencies for medical, dental, surgical, hospital, nursing and nursing home care and medicine and medical supplies under all programs of medical care provided by the state and for congregate living care under the income maintenance programs.

(12) Have the authority to conduct and administer experimental projects to test methods and procedures of administering assistance and services to recipients or potential recipients of public welfare. To carry out such experimental projects, it is further provided that the commissioner of human services is authorized to waive the enforcement of existing specific statutory program requirements, rules, and standards in one or more counties. The order establishing the waiver shall provide alternative methods and procedures of administration, shall not be in conflict with the basic purposes, coverage, or benefits provided by law, and in no event shall the duration of a project exceed four years. It is further provided that no order establishing an experimental project as authorized by the provisions of this section shall become effective until the following conditions have been met:

(a) The proposed comprehensive plan, including estimated project costs and the proposed order establishing the waiver, shall be filed with the secretary of the senate and chief clerk of the house of representatives at least 60 days prior to its effective date.

(b) The secretary of health, education, and welfare of the United States has agreed, for the same project, to waive state plan requirements relative to statewide uniformity.

(c) A comprehensive plan, including estimated project costs, shall be approved by the legislative advisory commission and filed with the commissioner of administration.

(13) In accordance with federal requirements, establish procedures to be followed by local welfare boards in creating citizen advisory committees, including procedures for selection of committee members.

(14) Allocate federal fiscal disallowances or sanctions which are based on quality control error rates for the aid to families with dependent children, medical assistance, or food stamp program in the following manner:

(a) One-half of the total amount of the disallowance shall be borne by the county boards responsible for administering the programs. For the medical assistance and AFDC programs, disallowances shall be shared by each county board in the same proportion as that county's expenditures for the sanctioned program are to the total of all counties' expenditures for the AFDC and medical assistance programs. For the food stamp program, sanctions shall be shared by each county board, with 50 percent of the sanction being distributed to each county in the same proportion as that county's administrative costs for food stamps are to the total of all food stamp administrative costs for all counties, and 50 percent of the sanctions being distributed to each county in the same proportion as that county's value of food stamp benefits issued are to the total of all benefits issued for all counties. Each county shall pay its share of the disallowance to the state of Minnesota. When a county fails to pay the amount due hereunder, the commissioner may

deduct the amount from reimbursement otherwise due the county, or the attorney general, upon the request of the commissioner, may institute civil action to recover the amount due.

(b) Notwithstanding the provisions of paragraph (a), if the disallowance results from knowing noncompliance by one or more counties with a specific program instruction, and that knowing noncompliance is a matter of official county board record, the commissioner may require payment or recover from the county or counties, in the manner prescribed in paragraph (a), an amount equal to the portion of the total disallowance which resulted from the noncompliance, and may distribute the balance of the disallowance according to paragraph (a).

(15) Develop and implement special projects that maximize reimbursements and result in the recovery of money to the state. For the purpose of recovering state money, the commissioner may enter into contracts with third parties. Any recoveries that result from projects or contracts entered into under this paragraph shall be deposited in the state treasury and credited to a special account until the balance in the account reaches \$1,000,000. When the balance in the account exceeds \$1,000,000, the excess shall be transferred and credited to the general fund. All money in the account is appropriated to the commissioner for the purposes of this paragraph.

(16) Have the authority to make direct payments to facilities providing shelter to women and their children pursuant to section 256D.05, subdivision 3. Upon the written request of a shelter facility that has been denied payments under section 256D.05, subdivision 3, the commissioner shall review all relevant evidence and make a determination within 30 days of the request for review regarding issuance of direct payments to the shelter facility. Failure to act within 30 days shall be considered a determination not to issue direct payments.

(17) Have the authority to establish and enforce the following county reporting requirements:

(a) The commissioner shall establish fiscal and statistical reporting requirements necessary to account for the expenditure of funds allocated to counties for human services programs. When establishing financial and statistical reporting requirements, the commissioner shall evaluate all reports, in consultation with the counties, to determine if the reports can be simplified or the number of reports can be reduced.

(b) The county board shall submit monthly or quarterly reports to the department as required by the commissioner. Monthly reports are due no later than 15 working days after the end of the month. Quarterly reports are due no later than 30 calendar days after the end of the quarter, unless the commissioner determines that the deadline must be shortened to 20 calendar days to avoid jeopardizing compliance with federal deadlines or risking a loss of federal funding. Only reports that are complete, legible, and in the required format shall be accepted by the commissioner.

(c) If the required reports are not received by the deadlines established in clause (b), the commissioner may delay payments and withhold funds from the county board until the next reporting period. When the report is needed to account for the use of federal funds and the late report results in a reduction in federal funding, the commissioner shall withhold from the county boards with late reports an amount equal to the reduction in federal funding until full federal funding is received.

(d) A county board that submits reports that are late, illegible, incomplete, or not in the required format for two out of three consecutive reporting periods is considered noncompliant. When a county board is found to be noncompliant, the commissioner shall notify the county board of the reason the county board is considered noncompliant and request that the county board develop a corrective action plan stating how the county board plans to correct the problem. The corrective action plan must be submitted to the commissioner within 45 days after the date the county board received notice of noncompliance.

(e) The final deadline for fiscal reports or amendments to fiscal reports is one year after the date the report was originally due. If the commissioner does not receive a report by the final deadline, the county board forfeits the funding associated with the report for that reporting period and the county board must repay any funds associated with the report received for that reporting period.

(f) The commissioner may not delay payments, withhold funds, or require repayment under paragraph (c) or (e) if the county demonstrates that the commissioner failed to provide appropriate forms, guidelines, and technical assistance to enable the county to comply with the requirements. If the county board disagrees with an action taken by the commissioner under paragraph (c) or (e), the county board may appeal the action according to sections 14.57 to 14.69.

(g) Counties subject to withholding of funds under paragraph (c) or forfeiture or repayment of funds under paragraph (e) shall not reduce or withhold benefits or services to clients to cover costs incurred due to actions taken by the commissioner under paragraph (c) or (e).

(18) Allocate federal fiscal disallowances or sanctions for audit exceptions when federal fiscal disallowances or sanctions are based on a statewide random sample for the foster care program under title IV-E of the Social Security Act, United States Code, title 42, in direct proportion to each county's title IV-E foster care maintenance claim for that period.

(19) Have the authority to administer a drug rebate program for drugs purchased pursuant to the senior citizen drug program established under section 256.955 after the beneficiary's satisfaction of any deductible established in the program. The commissioner shall require a rebate agreement from all manufacturers of covered drugs as defined in section 256B.0625, subdivision 13. For each drug, the amount of the rebate shall be equal to the basic rebate as defined for purposes of the federal rebate program in United States Code, title 42, section 1396r-8(c)(1). This basic rebate shall be applied to single-source and multiple-source drugs. The manufacturers must provide full payment within 30 days of receipt of the state invoice for the rebate within the terms and conditions used for the federal rebate program established pursuant to section 1927 of title XIX of the Social Security Act. The manufacturers must provide the commissioner with any information necessary to verify the rebate determined per drug. The rebate program shall utilize the terms and conditions used for the federal rebate program established pursuant to section 1927 of title XIX of the Social Security Act.

Sec. 2. [256.955] [SENIOR CITIZEN DRUG PROGRAM.]

Subdivision 1. [ESTABLISHMENT.] The commissioner of human services shall establish and administer a senior citizen drug program. Qualified senior citizens shall be eligible for prescription drug coverage under the program beginning no later than January 1, 1999.

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) is eligible as a qualified Medicare beneficiary according to section 256B.057, subdivision 3 or 3a, or is eligible under section 256B.057, subdivision 3 or 3a, and is also eligible for medical assistance or general assistance medical care with a spenddown as defined in section 256B.056, subdivision 5. Persons who are determined eligible for medical assistance according to section 256B.0575, who are eligible for medical assistance or general assistance medical care without a spenddown, or who are enrolled in MinnesotaCare, are not eligible for this program;

(2) is not enrolled in prescription drug coverage under a health plan;

(3) is not enrolled in 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;

(4) has not had coverage described in clauses (2) and (3) for at least four months prior to application for the program; and

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

Subd. 3. [PRESCRIPTION DRUG COVERAGE.] Coverage under the program is limited to prescription drugs covered under the medical assistance program as described in section 256B.0625, subdivision 13, subject to a maximum deductible of \$300 annually, except drugs cleared by the FDA shall be available to qualified senior citizens enrolled in the program without restriction when prescribed for medically accepted indication as defined in the federal rebate program under section 1927 of title XIX of the federal Social Security Act.

Subd. 4. [APPLICATION PROCEDURES AND COORDINATION WITH MEDICAL ASSISTANCE.] 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:

(1) beginning January 1, 1999, the county social service agency shall determine medical assistance spenddown eligibility of individuals who qualify for the senior citizen drug program of individuals; and

(2) program payments will be used to reduce the spenddown obligations of individuals who are determined to be eligible for medical assistance with a spenddown as defined in section 256B.056, subdivision 5.

Seniors who are eligible for medical assistance with a spenddown shall be financially responsible for the deductible amount up to the satisfaction of the spenddown. No deductible applies once the spenddown has been met. Payments to providers for prescription drugs for persons eligible under this subdivision shall be reduced by the deductible.

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 shall utilize the drug utilization review program as described in section 256B.0625, subdivision 13a.

Subd. 6. [PHARMACY REIMBURSEMENT.] The commissioner shall reimburse participating pharmacies for drug and dispensing costs at the medical assistance reimbursement level, minus the deductible required under subdivision 7.

Subd. 7. [COST SHARING.] (a) Enrollees shall pay an annual premium of \$120.

(b) Program enrollees must satisfy a \$300 annual deductible, based upon expenditures for prescription drugs, to be paid as follows:

(1) \$25 monthly deductible for persons with a monthly spenddown; or

(2) \$150 biannual deductible for persons with a six-month spenddown.

The commissioner may adjust the annual deductible amount to stay within the program's appropriation.

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, any hardships caused by the annual premium and deductible, and any recommendations for changes in the senior drug program.

Subd. 9. [PROGRAM LIMITATION.] This section shall be repealed upon federal approval of the waiver to allow the commissioner to provide prescription drug coverage for qualified Medicare beneficiaries whose income is less than 150 percent of the federal poverty guidelines.

Sec. 3. Minnesota Statutes 1996, section 256B.0625, subdivision 13, is amended to read:

Subd. 13. [DRUGS.] (a) Medical assistance covers drugs, except for fertility drugs when specifically used to enhance fertility, if prescribed by a licensed practitioner and dispensed by a licensed pharmacist, by a physician enrolled in the medical assistance program as a dispensing physician, or by a physician or a nurse practitioner employed by or under contract with a community health board as defined in section 145A.02, subdivision 5, for the purposes of communicable disease control. The commissioner, after receiving recommendations from professional medical associations and professional pharmacist associations, shall designate a formulary committee to advise the commissioner on the names of drugs for which payment is made, recommend a system for reimbursing providers on a set fee or charge basis rather than the present system, and develop methods encouraging use of generic drugs when they are less expensive and equally effective as trademark drugs. The formulary committee shall consist of nine members, four of whom shall be physicians who are not employed by the department of human services, and a majority of whose practice is for persons paying privately or through health insurance, three of whom shall be pharmacists who are not employed by the department of human services, and a majority of whose practice is for persons paying privately or through health insurance, a consumer representative, and a nursing home representative. Committee members shall serve three-year terms and shall serve without compensation. Members may be reappointed once.

(b) The commissioner shall establish a drug formulary. Its establishment and publication shall not be subject to the requirements of the administrative procedure act, but the formulary committee shall review and comment on the formulary contents. The formulary committee shall review and recommend drugs which require prior authorization. The formulary committee may recommend drugs for prior authorization directly to the commissioner, as long as opportunity for public input is provided. Prior authorization may be requested by the commissioner based on medical and clinical criteria before certain drugs are eligible for payment. Before a drug may be considered for prior authorization at the request of the commissioner:

(1) the drug formulary committee must develop criteria to be used for identifying drugs; the development of these criteria is not subject to the requirements of chapter 14, but the formulary committee shall provide opportunity for public input in developing criteria;

(2) the drug formulary committee must hold a public forum and receive public comment for an additional 15 days; and

(3) the commissioner must provide information to the formulary committee on the impact that placing the drug on prior authorization will have on the quality of patient care and information regarding whether the drug is subject to clinical abuse or misuse. Prior authorization may be required by the commissioner before certain formulary drugs are eligible for payment. The formulary shall not include:

(i) drugs or products for which there is no federal funding;

(ii) over-the-counter drugs, except for antacids, acetaminophen, family planning products, aspirin, insulin, products for the treatment of lice, vitamins for adults with documented vitamin deficiencies, and vitamins for children under the age of seven and pregnant or nursing women;

(iii) any other over-the-counter drug identified by the commissioner, in consultation with the drug formulary committee, as necessary, appropriate, and cost-effective for the treatment of certain specified chronic diseases, conditions or disorders, and this determination shall not be subject to the requirements of chapter 14;

(iv) anorectics; and

(v) drugs for which medical value has not been established; and

(vi) drugs from manufacturers who have not signed a rebate agreement with the Department of Health and Human Services pursuant to section 1927 of title XIX of the Social Security Act and who have not signed an agreement with the state for drugs purchased pursuant to the senior citizen drug program established under section 256.955.

The commissioner shall publish conditions for prohibiting payment for specific drugs after considering the formulary committee's recommendations.

(c) The basis for determining the amount of payment shall be the lower of the actual acquisition costs of the drugs plus a fixed dispensing fee; the maximum allowable cost set by the federal government or by the commissioner plus the fixed dispensing fee; or the usual and customary price charged to the public. The pharmacy dispensing fee shall be \$3.85. Actual acquisition cost includes quantity and other special discounts except time and cash discounts. The actual acquisition cost of a drug shall be estimated by the commissioner, at average wholesale price minus nine percent. The maximum allowable cost of a multisource drug may be set by the commissioner and it shall be comparable to, but no higher than, the maximum amount paid by other third-party payors in this state who have maximum allowable cost programs. Establishment of the amount of payment for drugs shall not be subject to the requirements of the administrative procedure act. An additional dispensing fee of \$.30 may be added to the dispensing fee paid to pharmacists for legend drug prescriptions dispensed to residents of long-term care facilities when a unit dose blister card system, approved by the department, is used. Under this type of dispensing system, the pharmacist must dispense a 30-day supply of drug. The National Drug Code (NDC) from the drug container used to fill the blister card must be identified on the claim to the department. The unit dose blister card containing the drug must meet the packaging standards set forth in Minnesota Rules, part 6800.2700, that govern the return of unused drugs to the pharmacy for reuse. The pharmacy provider will be required to credit the department for the actual acquisition cost of all unused drugs that are eligible for reuse. Over-the-counter medications must be dispensed in the manufacturer's unopened package. The commissioner may permit the drug clozapine to be dispensed in a quantity that is less than a 30-day supply. Whenever a generically equivalent product is available, payment shall be on the basis of the actual acquisition cost of the generic drug, unless the prescriber specifically indicates "dispense as written - brand necessary" on the prescription as required by section 151.21, subdivision 2.

Sec. 4. [SENIOR DRUG PROGRAM.]

The commissioner shall administer the senior drug program so that the costs to the state total no more than \$4,000,000 plus the amount of the rebate. The commissioner is authorized to discontinue enrollment in order to meet this level of funding.

The commissioner shall report to the legislature the estimated costs of the senior drug program without funding caps. The report shall be included as part of the November and February forecasts.

The commissioner of finance shall annually reimburse the general fund with health care access funds for the estimated increased costs in the QMB/SLMB program directly associated with the senior drug program. This reimbursement shall sunset June 30, 2001.

Sec. 5. [STUDY ON DUAL PRESCRIPTION DRUG COVERAGE.]

The commissioner of human services shall study the implications to the senior citizen drug program if a health plan company offers within the state a product that provides a prescription drug benefit as part of the standard coverage for Medicare enrollees and shall make recommendations on how to address this issue to the legislature by January 15, 1998.

ARTICLE 5

COMMUNITY PURCHASING ARRANGEMENTS

Section 1. [62S.01] [DEFINITIONS.]

Subdivision 1. [SCOPE.] For purposes of this chapter, the terms in this section have the meanings given.

Subd. 2. [HEALTH CARE PURCHASING ALLIANCE.] "Health care purchasing alliance" means a business organization created under this chapter to negotiate the purchase of health care services for employers. Nothing in this chapter shall be deemed to regulate or impose any

requirements on a self-insured employer or labor union. A health care purchasing alliance may include a grouping of:

(1) businesses, including small businesses with one employee. The businesses may or may not be organized under section 62Q.17, as a purchasing pool;

(2) trade association members or church organizations under section 60A.02, or union members who are not in a self-insured benefit plan;

(3) multiple employer welfare associations under chapter 62H;

(4) municipalities, townships, or counties;

(5) other government entities; or

(6) any combination of clauses (1) to (5).

The alliance may determine the definition of a business of one employee, but must adhere to its definition and show no bias in selection of members, based on that definition.

Subd. 3. [ACCOUNTABLE PROVIDER NETWORK.] "Accountable provider network" means a group of health care providers organized to market health care services on a risk-sharing or nonrisk-sharing basis with a health care purchasing alliance. Accountable provider networks shall operate as not-for-profit entities or as health care cooperatives, as allowed under chapter 62R. This chapter applies only when an accountable provider network is marketing and selling services and benefits to the employees of businesses as authorized in section 62S.04.

Subd. 4. [COMMISSIONER.] "Commissioner" means the commissioner of health.

Sec. 2. [62S.015] [PURCHASING ALLIANCES.]

Subdivision 1. [REGISTRATION.] Purchasing alliances must register prior to offering coverage, and annually on July 1 thereafter, with the commissioner on a form prescribed by the commissioner.

Subd. 2. [COMMON FACTORS.] All participants in a purchasing alliance must live within a common geographic region, be employed in a similar occupation, or share some other common factor as approved by the commissioner. The membership criteria must not be designed to include disproportionately employers, groups, or individuals likely to have low costs of health coverage, or to exclude disproportionately employers, groups, or individuals likely to have high costs of health coverage.

Sec. 3. [62S.02] [APPLICATION OF OTHER LAWS.]

An accountable provider network is subject to all requirements applicable to a health plan company licensed in the state, except as otherwise noted in this chapter. An accountable provider network and a health care purchasing alliance must comply with all requirements of chapter 62L. A contracting arrangement between a health care purchasing alliance and an accountable provider network for provision of health care benefits must provide consumer protection functions comparable to those currently required of a health plan company licensed under section 62N.25, and other statutes referenced in that section, except for modifications and waivers permitted under this chapter.

Sec. 4. [62S.03] [COMPLAINT SYSTEM.]

Accountable provider networks must establish and maintain an enrollee complaint system as required under section 62Q.105. The accountable provider network may contract with the health care purchasing alliance or a vendor for operation of this system.

Sec. 5. [62S.04] [BENEFITS.]

An accountable provider network may offer and sell any benefits permitted to be offered and sold by health plan companies under Minnesota law.

Sec. 6. [62S.05] [WAIVERS.]

Subdivision 1. [AUTHORIZATION.] The commissioner may grant waivers from the requirements of law for the contracting arrangement between a health care purchasing alliance and an accountable provider network in the areas listed in subdivisions 2 to 4. The commissioner may not waive the following state consumer protection and quality assurance laws:

(1) laws requiring that enrollees be informed of any restrictions, requirements, or limitations on coverage, services, or access to specialists and other providers;

(2) laws allowing consumers to complain to or appeal to a state regulatory agency if denied benefits or services;

(3) laws prohibiting gag clauses and other restrictions on communication between a patient and their physician or provider;

(4) laws allowing consumers to obtain information on provider financial incentives, which may affect treatment;

(5) laws requiring the submission of information needed to monitor quality of care and enrollee rights;

(6) laws protecting enrollee privacy and confidentiality of records;

(7) minimum standards for adequate provider network capacity and geographic access to services;

(8) laws assuring continuity of care when a patient must change providers;

(9) laws governing coverage of emergency services;

(10) laws prohibiting excessive or unreasonable administrative fees or expenses; and

(11) other laws or rules that are directly related to quality of care, consumer protection, and due process rights.

Subd. 2. [SOLVENCY PROTECTION.] (a) The commissioner may waive the requirements of sections 62N.27 to 62N.32, and may substitute capital and surplus requirements that are reduced from the levels required of other risk-bearing entities in order to reflect its reduced risk exposure. If risk is being underwritten, the underwriter cannot have more than 25 percent of the representation on the governing board of the accountable provider network. The reduced requirements must include at least the following levels of capital and surplus: (i) a deposit of \$500,000 plus (ii) the greater of an estimated 15 percent of gross premium revenues or twice the net retained annual risk up to \$750,000 on a single enrollee. Net retained annual risk may be, for example, the lowest annual deductible under a provider stop-loss insurance policy that covers all costs above the deductible. Assets supporting the deposit must meet the standards for deposits referenced in section 62N.32. Assets supporting the capital must meet the investment guidelines referenced in section 62N.27.

(b) An accountable provider network may propose a method of reporting income, expenses, claims payments, and other financial information in a manner which adequately demonstrates ongoing compliance with the standards for capital, surplus, and claims reserves agreed to under this waiver.

(c) An accountable provider network may demonstrate ability to continue to deliver the contracted health care services to the purchasing alliance through arrangements which ensure that, subject to 60 days' notice of intent to discontinue the contracting arrangement, provider participants will continue to meet their obligation to provide health care services to enrollees for a period of 60 days.

Subd. 3. [MARKETING AND DISCLOSURE.] The accountable provider network, in conjunction with the health care purchasing alliance, may propose alternative methods to present

marketing and disclosure information which assure the accountability to consumers who are offered and who receive their services.

Subd. 4. [QUALITY ASSURANCE.] The accountable provider network may propose an alternative quality assurance program which incorporates effective methods for reviewing and evaluating data related to quality of care and ways to identify and correct quality problems.

Sec. 7. [62S.06] [CRITERIA FOR GRANTING WAIVERS.]

The commissioner may approve a request for waiver under section 62S.05 if the applicant demonstrates that the contracting arrangement between a health care purchasing alliance and an accountable provider network will meet the following criteria:

(a) The arrangement would be likely to result in:

(1) more choice in benefits and prices;

(2) lower costs;

(3) increased access to health care coverage by small businesses;

(4) increased access to providers who have demonstrated a long-term commitment to the community being serviced; or

(5) increased quality of health care than would otherwise occur under the existing market conditions. In the event that a proposed arrangement appears likely to improve one or two of the criteria at the expense of another one or two of the criteria, the commissioner shall not approve the waiver.

(b) The proposed alternative methods would provide equal or improved results in consumer protection than would result under the existing consumer protections requirements.

Sec. 8. [62S.07] [SUPERVISION AND REVOCATION OF WAIVERS.]

(a) The commissioner shall appropriately supervise and monitor approved waivers.

(b) The commissioner may revoke approval of a waiver if the contracting arrangement no longer satisfies the criteria in section 62S.06, paragraphs (a) and (b).

Sec. 9. [62S.08] [MINNESOTA COMPREHENSIVE HEALTH ASSOCIATION.]

A health care purchasing alliance must pay the assessment required of contributing members pursuant to section 62E.11.

Sec. 10. [62S.09] [MINNESOTACARE TAX.]

An accountable provider network is subject to the premium tax established in section 60A.15 and must pay installments as described in section 60A.15, subdivision 1, paragraph (d).

Sec. 11. [62S.10] [DUTIES OF COMMISSIONER.]

(a) By July 1, 1997, the commissioner shall make available application forms for licensure as an accountable provider network. The accountable provider network may begin doing business after application has been approved.

(b) Upon receipt of an application for a certificate of authority, the commissioner shall grant or deny licensure and waivers requested within 90 days of receipt of a complete application if all requirements are substantially met. For a period of one year after the effective date of this chapter, the commissioner may approve up to five applications, none of which may be from health plan companies. If no written response has been received within 90 days, the application is approved. When the commissioner denies an application or waiver request, the commissioner shall notify the applicant in writing specifically stating the grounds for the denial and specific suggestions for how to remedy the denial. The commissioner will entertain reconsiderations. Within 90 days after the

denial, the applicant may file a written request for an administrative hearing and review of the commissioner's determination. The hearing is subject to judicial review as provided by chapter 14.

(c) All monitoring, enforcement, and rulemaking powers available under chapter 62N are granted to the commissioner to assure continued compliance with provisions of this chapter.

(d) The commissioner may contract with other entities as necessary to carry out the responsibilities in this chapter.

Sec. 12. [62S.11] [FEES.]

Every accountable provider network subject to this chapter shall pay to the commissioner fees as prescribed by the commissioner pursuant to section 144.122. The initial fees are:

(1) filing an application for licensure, \$500;

(2) filing an amendment to a license, \$90;

(3) filing an annual report, \$200;

(4) filing of renewal of licensure based on a fee of \$1,000 per 1,000 enrollees, with renewal every three years; and

(5) other filing fees as specified by rule.

Sec. 13. [62S.12] [ENROLLMENT.]

An accountable provider network created under this chapter is limited to a maximum enrollment of 30,000 persons.

ARTICLE 6

MINNESOTA COMPREHENSIVE HEALTH ASSOCIATION

Section 1. Minnesota Statutes 1996, section 62E.02, subdivision 13, is amended to read:

Subd. 13. [ELIGIBLE PERSON.] (a) "Eligible person" means an individual who:

(1) is currently and has been a resident of Minnesota for the six months immediately preceding the date of receipt by the association or its writing carrier of a completed certificate of eligibility and who;

(2) meets the enrollment requirements of section 62E.14; and

(3) is not otherwise ineligible under this subdivision.

(b) No individual is eligible for coverage under a qualified or a Medicare supplement plan issued by the association for whom a premium is paid or reimbursed by the medical assistance program or general assistance medical care program as of the first day of any term for which a premium amount is paid or reimbursed.

Sec. 2. Minnesota Statutes 1996, section 62E.02, subdivision 18, is amended to read:

Subd. 18. [WRITING CARRIER.] "Writing carrier" means the insurer or insurers, health maintenance organization or organizations, integrated service network or networks, and community integrated service network or networks, or other entity selected by the association and approved by the commissioner to administer the comprehensive health insurance plan.

Sec. 3. Minnesota Statutes 1996, section 62E.13, subdivision 2, is amended to read:

Subd. 2. The association may select policies and contracts, or parts thereof, submitted by a member or members of the association, or by the association or others, to develop specifications for bids from any ~~members~~ entity which ~~wish~~ wishes to be selected as a writing carrier to administer the state plan. The selection of the writing carrier shall be based upon criteria ~~including~~

established by the board of directors of the association and approved by the commissioner. The criteria shall outline specific qualifications that an entity must satisfy in order to be selected and, at a minimum, shall include the member's entity's proven ability to handle large group accident and health insurance cases, efficient claim paying capacity, and the estimate of total charges for administering the plan. The association may select separate writing carriers for the two types of qualified plans, the qualified medicare supplement plan, and the health maintenance organization contract.

Sec. 4. Minnesota Statutes 1996, section 256B.056, subdivision 8, is amended to read:

Subd. 8. [COOPERATION.] To be eligible for medical assistance, applicants and recipients must cooperate with the state and local agency to identify potentially liable third-party payers and assist the state in obtaining third party payments, unless good cause for noncooperation is determined according to Code of Federal Regulations, title 42, part 433.147. "Cooperation" includes identifying any third party who may be liable for care and services provided under this chapter to the applicant, recipient, or any other family member for whom application is made and providing relevant information to assist the state in pursuing a potentially liable third party. Cooperation also includes providing information about a group health plan for which the person may be eligible and if the plan is determined cost-effective by the state agency and premiums are paid by the local agency or there is no cost to the recipient, they must enroll or remain enrolled with the group. For purposes of this subdivision, coverage provided by the Minnesota comprehensive health association under chapter 62E shall not be considered group health plan coverage or cost-effective by the state and local agency. Cost-effective insurance premiums approved for payment by the state agency and paid by the local agency are eligible for reimbursement according to section 256B.19.

Sec. 5. Minnesota Statutes 1996, section 256B.0625, subdivision 15, is amended to read:

Subd. 15. [HEALTH PLAN PREMIUMS AND COPAYMENTS.] (a) Medical assistance covers health care prepayment plan premiums, insurance premiums, and copayments if determined to be cost-effective by the commissioner. For purposes of obtaining Medicare part A and part B, and copayments, expenditures may be made even if federal funding is not available.

(b) Effective for all premiums due on or after June 30, 1997, medical assistance does not cover premiums that a recipient is required to pay under a qualified or Medicare supplement plan issued by the Minnesota comprehensive health association. Medical assistance shall continue to cover premiums for recipients who are covered under a plan issued by the Minnesota comprehensive health association on June 30, 1997, for a period of six months following receipt of the notice of termination or until December 31, 1997, whichever is later.

Sec. 6. Minnesota Statutes 1996, section 256D.03, subdivision 3b, is amended to read:

Subd. 3b. [COOPERATION.] (a) General assistance or general assistance medical care applicants and recipients must cooperate with the state and local agency to identify potentially liable third-party payors and assist the state in obtaining third-party payments. Cooperation includes identifying any third party who may be liable for care and services provided under this chapter to the applicant, recipient, or any other family member for whom application is made and providing relevant information to assist the state in pursuing a potentially liable third party. General assistance medical care applicants and recipients must cooperate by providing information about any group health plan in which they may be eligible to enroll. They must cooperate with the state and local agency in determining if the plan is cost-effective. For purposes of this subdivision, coverage provided by the Minnesota comprehensive health association under chapter 62E shall not be considered group health plan coverage or cost-effective by the state and local agency. If the plan is determined cost-effective and the premium will be paid by the state or local agency or is available at no cost to the person, they must enroll or remain enrolled in the group health plan. Cost-effective insurance premiums approved for payment by the state agency and paid by the local agency are eligible for reimbursement according to subdivision 6.

(b) Effective for all premiums due on or after June 30, 1997, general assistance medical care does not cover premiums that a recipient is required to pay under a qualified or Medicare

supplement plan issued by the Minnesota comprehensive health association. General assistance medical care shall continue to cover premiums for recipients who are covered under a plan issued by the Minnesota comprehensive health association on June 30, 1997, for a period of six months following receipt of the notice of termination or until December 31, 1997, whichever is later.

Sec. 7. [MCHA TERMINATION NOTICE.]

The Minnesota comprehensive health association, in consultation with the commissioner of human services, shall provide written notice to all persons whose coverage under the comprehensive health insurance plan terminates due to the change in policy described in Minnesota Statutes, sections 256B.056, subdivision 15, and 256D.03, subdivision 3b.

The notice must include the following information:

- (1) the reason for termination;
- (2) a description of the eligibility requirements for the comprehensive health insurance plan;
- (3) a description of medical assistance and general assistance medical care eligibility categories;
- (4) a description of the participation requirement to the prepaid medical assistance program, prepaid general assistance medical care, and exemptions from participation due to disability as determined by the social security administration; and
- (5) a telephone number for the department of human services for specific questions regarding the medical assistance and general assistance medical care program.

Notice must be given at least six months before coverage is terminated.

The commissioner of human services shall release to the association any data necessary to provide the notice required in this section.

Sec. 8. [SUNSET.]

The amendments made in this article to Minnesota Statutes, sections 62E.02, subdivision 13; 256B.056, subdivision 8; 256B.0625, subdivision 15; and 256D.03, subdivision 3b, expire June 30, 1999.

Sec. 9. [EFFECTIVE DATE.]

Sections 2 to 8 are effective the day following final enactment. Section 1 is effective for coverage provided by the comprehensive health association on or after January 1, 1998, subject to the right to retain coverage for six months after receipt of notice of termination under sections 5 and 6.

ARTICLE 7
APPROPRIATIONS

Section 1. [APPROPRIATIONS; SUMMARY.]

Except as otherwise provided in this act, the sums set forth in the columns designated "fiscal year 1998" and "fiscal year 1999" are appropriated from the general fund, or other named fund, to the agencies for the purposes specified in this act for the fiscal years ending June 30, 1998, and June 30, 1999.

Sec. 2. APPROPRIATIONS

	SUMMARY BY FUND		
	1998	1999	TOTAL
Health Care Access Fund	\$130,613,000	\$161,364,000	\$291,977,000

General Fund	1,357,000	6,127,000	7,484,000
State Government Special Revenue Fund	21,000	37,000	58,000
Subdivision 1. Department of Human Services			
Health Care Access Fund	99,052,000	129,761,000	228,813,000
General Fund	1,357,000	6,127,000	7,484,000

[MEDICAL EDUCATION.] Of the fiscal year 1998 health care access fund appropriation, \$3,500,000 is for medical education research costs. This appropriation, plus the federal financial participation amount shall be distributed to medical assistance providers according to the distribution methodology of the medical education research trust fund established under Minnesota Statutes, section 62J.69. Any unspent funds in this appropriation do not cancel but may carry forward and be available in fiscal year 1999.

[GENERAL FUND APPROPRIATION.] The general fund appropriation is for costs associated with the senior drug program, the QMB/SLMB cost increases resulting from the senior drug program, and the discontinuation of the MCHA premium payments for MA and GAMC recipients. The health care access fund shall reimburse the general fund for the QMB/SLMB cost and the GAMC and MA costs.

[ADMINISTRATIVE COSTS.] Of the health care access appropriation, \$342,000 in fiscal year 1998 and \$1,536,000 in fiscal year 1999 is for administrative costs associated with moving parents and working adults GAMC into the MinnesotaCare program. Of this appropriation, only \$300,000 shall become part of the base for the fiscal 2000-2001 biennium.

[SERVICE CHARGES.] For fiscal years 1998 and 1999, the department of human services is exempt from service charges imposed by other state agencies when those charges exceed the base appropriation provided to the department for the particular service.

[DENTAL SERVICES REIMBURSEMENT INCREASE.] Notwithstanding statutory provisions to the contrary, the commissioner shall increase reimbursement rates by 15 percent for dental services covered under the MinnesotaCare program and rendered on or after July 1, 1997. The commissioner shall increase the prepaid capitation rates as appropriate to

reflect this rate increase. Notwithstanding section 5, this paragraph does not expire.

[FEDERAL RECEIPTS FOR ADMINISTRATION.] Receipts received as a result of federal participation pertaining to administrative costs of the Minnesota Health Care Reform Waiver shall be deposited as a nondedicated revenue to the Health Care Access Fund, while receipts received as a result of federal participation pertaining to grants shall be deposited to the federal fund and shall offset health care access funds for payments to providers.

[MINNESOTA OUTREACH.] Of the health care access fund appropriation, \$750,000 each year shall be disbursed for grants to public and private organizations to provide outreach for the MinnesotaCare program in areas of the state with high uninsured populations.

Subd. 2. Department of Health

Health Care Access Fund	10,653,000	12,248,000	22,901,000
State Government Special Revenue Fund	21,000	37,000	58,000

Health care access fund appropriations for student loan forgiveness programs for health care providers are available for either year of the biennium.

[RURAL HOSPITAL CAPITAL GRANTS.] Of this appropriation, \$3,000,000 in fiscal year 1998 and \$4,500,000 in fiscal year 1999 shall be disbursed for rural hospital capital improvement grants or loans. Any unspent funds may be used for rural hospital planning and transition grant programs. This appropriation shall not become part of the base for the fiscal year 2000-2001 biennium.

[RURAL HOSPITAL DEMONSTRATION PROJECTS.] Of this appropriation, \$300,000 in each fiscal year shall be disbursed for rural hospital demonstration projects. This appropriation shall not become part of the base for the fiscal year 2000-2001 biennium.

[ADMINISTRATIVE COSTS.] The base for administrative costs shall be reduced by \$450,000 for fiscal years 2000 and 2001. The commissioner shall examine general fund resources to replace this reduction.

Subd. 3. University of Minnesota

Health Care Access Fund	2,537,000	2,537,000	5,074,000
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[PRIMARY CARE EDUCATION INITIATIVES.] Of this appropriation, \$180,000 in each fiscal year shall be disbursed to the board of regents for primary care physician education and training under Minnesota Statutes, sections 137.38 to 137.40. This appropriation is available only if matched by \$1 for each \$1 of the appropriation. This appropriation is in addition to the current base appropriation for these activities and shall become part of the base appropriation for the fiscal year 2000-2001 biennium.

Subd. 4. Department of Revenue

Health Care Access Fund	3,121,000	1,668,000	4,789,000
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[RESEARCH DEDUCTION.] Of this appropriation, \$1,500,000 shall be disbursed in fiscal year 1998 to be used for research deduction claims filed by hospitals and health care providers under Minnesota Statutes, section 295.53, subdivision 4, for research expenditures incurred in calendar year 1996. These claims must be filed by August 1, 1997, and the commissioner must pay the refund no later than October 1, 1997.

Subd. 5. Department of Commerce

Health Care Access Fund	15,100,000	15,000,000	30,100,000
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[MINNESOTA COMPREHENSIVE HEALTH ASSOCIATION ASSESSMENT OFFSET.] Of this appropriation, \$15,000,000 in fiscal year 1998 and \$15,000,000 in fiscal year 1999 is for a grant to the Minnesota Comprehensive Health Association and shall be made available on January 1 of each fiscal year to be used to offset the annual assessments for calendar years 1998 and 1999 that are required to be paid by each contributing member in accordance with Minnesota Statutes, section 62E.11. This appropriation shall not become part of the base for the fiscal year 2000-2001 biennium.

Subd. 6. Legislative Coordinating Commission

Health Care Access Fund	150,000	150,000	300,000
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Sec. 3. TRANSFERS

\$4,112,000 in fiscal year 1998 and \$4,104,000 in fiscal year 1999 are transferred from the health care access fund to the general fund to replace

the revenue lost due to the repeal of the \$400 physician surcharge.

Sec. 4. CARRYOVER

None of the appropriations in this act which are allowed to be carried forward from fiscal year 1998 to fiscal year 1999 shall become part of the base level funding for the 2000-2001 biennial budget, unless specifically directed by the legislature.

Sec. 5. SUNSET

All uncodified language contained in this article expires on June 30, 1999, unless a different expiration is explicit.

ARTICLE 8

HEALTH AND HUMAN SERVICES TECHNICAL CORRECTIONS

Section 1. S. F. No. 1908, article 1, section 2, if enacted, is amended by adding a subdivision to read:

Subd. 10a. Visitation Access Funds

[FEDERAL FUNDS FOR VISITATION ACCESS.] The commissioner may accept on behalf of the state any federal funding for the purpose of financing visitation access programs, and may expend these funds on services described in Public Law Number 104-193.

Sec. 2. S. F. No. 1908, article 1, section 3, subdivision 2, if enacted, is amended to read:

Subd. 2. Health Systems and Special Populations

	48,517,000	48,233,000
Summary by Fund		
General	39,295,000	38,998,000
State Government Special Revenue	9,222,000	9,235,000

[FEES; DRUG AND ALCOHOL COUNSELOR LICENSE.] When setting fees for the drug and alcohol counselor license, the department is exempt from Minnesota Statutes, section 16A.1285, subdivision 2.

[STATE VITAL STATISTICS REDESIGN PROJECT ACCOUNT.] The amount appropriated from the state government special revenue fund for the vital records redesign project shall be available until expended for development and implementation.

[WIC PROGRAM.] Of this appropriation, \$650,000 in 1998 is provided to maintain services of the program, \$700,000 in 1998 and \$700,000 in 1999 is added to the base level

funding for the WIC food program in order to maintain the existing level of the program, and \$100,000 in 1998 is for the commissioner to develop and implement an outreach program to apprise potential recipients of the WIC food program of the importance of good nutrition and the availability of the program.

[WIC TRANSFERS.] General fund appropriations for the women, infants, and children (WIC) food supplement program are available for either year of the biennium. Transfers of appropriations between fiscal years must be for the purpose of maximizing federal funds or minimizing fluctuations in the number of participants.

[LOCAL PUBLIC HEALTH FINANCING.] Of the general fund appropriation, \$5,000,000 each year shall be disbursed for local public health financing and shall be distributed according to the community health service subsidy formula in Minnesota Statutes, section 145A.13.

[MINNESOTA CHILDREN WITH SPECIAL HEALTH NEEDS CARRYOVER.] General fund appropriations for treatment services in the services for children with special health care needs program are available for either year of the biennium.

[HEALTH CARE ASSISTANCE FOR DISABLED CHILDREN INELIGIBLE FOR SSI.] Notwithstanding the requirements of Minnesota Rules, part 4705.0100, subpart 14, children who: (a) are eligible for medical assistance as of June 30, 1997, and become ineligible for medical assistance due to changes in supplemental security income disability standards for children enacted in (PRWORA) Public Law Number 104-193; and (b) are not eligible for MinnesotaCare, are eligible for health care services through Minnesota services for children with special health care needs under Minnesota Rules, parts 4705.0100 to 4705.1600 for the fiscal year ending June 30, 1998, until eligibility for medical assistance is reestablished. The commissioner of health shall report to the legislature by March 1, 1998, on the number of children eligible under this provision, their health care needs, family income as a percentage of the federal poverty level, the extent to which families have employer-based health coverage, and recommendations on how to meet the future needs of children eligible under this provision.

[AMERICAN INDIAN DIABETES.] Of this

appropriation, \$90,000 each year shall be disbursed for a comprehensive school-based intervention program designed to reduce the risk factors associated with diabetes among American Indian school children in grades 1 through 4. The appropriation for 1998 may be carried forward to 1999. The appropriation for fiscal year 1999 is available only if matched by \$1 of nonstate money for each \$1 of the appropriation and may be expended in either year of the biennium. The commissioner shall convene an American Indian diabetes prevention advisory task force. The task force must include representatives from the American Indian tribes located in the state and urban American Indian representatives. The task force shall advise the commissioner on the adaptation of curricula and the dissemination of information designed to reduce the risk factors associated with diabetes among American Indian school children in grades 1 through 4. The curricula and information must be sensitive to traditional American Indian values and culture and must encourage full participation by the American Indian community.

[HOME VISITING PROGRAMS.] (a) Of this appropriation, \$140,000 in 1998 and \$870,000 in 1999 is for the home visiting programs for infant care under Minnesota Statutes, section 145A.16. These amounts are available until June 30, 1999.

(b) Of this appropriation, \$225,000 in 1998 and \$180,000 in 1999 is to continue funding the home visiting programs that received one-year funding under Laws 1995, chapter 480, article 1, section 9. This amount is available until expended.

[FETAL ALCOHOL SYNDROME.] Of the general fund appropriation, \$625,000 each year of the biennium shall be disbursed to prevent and reduce harm from fetal alcohol syndrome and fetal alcohol effect.

[COMPLAINT INVESTIGATIONS.] Of the appropriation, \$127,000 each year from the state government special revenue fund, and \$75,000 each year from the general fund, is for the commissioner to conduct complaint investigations of nursing facilities, hospitals and home health care providers.

[COMPLEMENTARY MEDICINE STUDY.] (a) Of the general fund appropriation, \$20,000 in fiscal year 1998 shall be disbursed for the commissioner of health, in consultation with the

commissioner of commerce, to conduct a study based on existing literature, information, and data on the scope of complementary medicine offered in this state. The commissioner shall:

- (1) include the types of complementary medicine therapies available in this state;
- (2) contact national and state complementary medicine associations for literature, information, and data;
- (3) conduct a general literary review for information and data on complementary medicine;
- (4) contact the departments of commerce and human services for information on existing registrations, licenses, certificates, credentials, policies, and regulations; and
- (5) determine by sample, if complementary medicine is currently covered by health plan companies and the extent of the coverage.

In conducting this review, the commissioner shall consult with the office of alternative medicine through the National Institute of Health.

(b) The commissioner shall, in consultation with the advisory committee, report the study findings to the legislature by January 15, 1998. As part of the report, the commissioner shall make recommendations on whether the state should credential or regulate any of the complementary medicine providers.

(c) The commissioner shall appoint an advisory committee to provide expertise and advice on the study. The committee must include representation from the following groups: health care providers, including providers of complementary medicine; health plan companies; and consumers. The advisory committee is governed by Minnesota Statutes, section 15.059, for membership terms and removal of members.

(d) For purposes of this study, the term "complementary medicine" includes, but is not limited to, acupuncture, homeopathy, manual healing, macrobiotics, naturopathy, biofeedback, mind/body control therapies, traditional and ethnomedicine therapies, structural manipulations and energetic therapies, bioelectromagnetic therapies, and herbal medicine.

[~~DOWN'S~~ DOWN SYNDROME.] Of the

general fund appropriation, \$15,000 in fiscal year 1998 shall be disbursed for a grant to a nonprofit organization that provides support to individuals with ~~Down's~~ Down Syndrome and their families, for the purpose of providing all obstetricians, certified nurse-midwives, and family physicians licensed to practice in this state with informational packets on ~~Down's~~ Down Syndrome. The packets must include, at a minimum, a fact sheet on ~~Down's~~ Down Syndrome, a list of counseling and support groups for families with children with ~~Down's~~ Down Syndrome, and a list of special needs adoption resources. The informational packets must be made available to any pregnant patient who has tested positive for ~~Down's~~ Down Syndrome, either through a screening test or amniocentesis.

[NEWBORN SCREENING FOR HEARING LOSS PROGRAM IMPLEMENTATION PLAN.] (a) Of the general fund appropriation, \$18,000 in fiscal year 1998 shall be disbursed to pay the costs of coordinating with hospitals, the medical community, audiologists, insurance companies, parents, and deaf and hard-of-hearing citizens to establish and implement a voluntary plan for hospitals and other health care facilities to screen all infants for hearing loss.

(b) The plan to achieve universal screening of infants for hearing loss on a voluntary basis shall be formulated by a department work group, including the following representatives:

- (1) a representative of the health insurance industry designated by the health insurance industry;
- (2) a representative of the Minnesota Hospital and Healthcare Partnership;
- (3) a total of two representatives from the following physician groups designated by the Minnesota Medical Association: pediatrics, family practice, and ENT;
- (4) two audiologists designated by the Minnesota Speech-Language-Hearing Association and the Minnesota Academy of Audiology;
- (5) a representative of hospital neonatal nurseries;
- (6) a representative of part H (IDEA) early childhood special education;
- (7) the commissioner of health or a designee;

- (8) a representative of the department of human services;
- (9) a public health nurse;
- (10) a parent of a deaf or hard-of-hearing child;
- (11) a deaf or hard-of-hearing person; and
- (12) a representative of the Minnesota commission serving deaf and hard-of-hearing people.

Members of the work group shall not collect a per diem or compensation as provided in Minnesota Statutes, section 15.0575.

(c) The plan shall include measurable goals and timetables for the achievement of universal screening of infants for hearing loss throughout the state and shall include the design and implementation of needed training to assist hospitals and other health care facilities screen infants for hearing loss according to recognized standards of care.

(d) The work group shall report to the legislature by January 15, 1998, concerning progress toward the achievement of universal screening of infants in Minnesota for the purpose of assisting the legislature to determine whether this goal can be accomplished on a voluntary basis.

[INFANT HEARING SCREENING PROGRAM.] Of the general fund appropriation, \$25,000 in fiscal year 1998 shall be disbursed for a grant to a hospital in Staples, Minnesota, for the infant hearing screening program.

[NURSING HOMES DAMAGED BY FLOODS.] The commissioner shall conduct an expedited process under Minnesota Statutes, section 144A.073, solely to review nursing home moratorium exceptions necessary to repair or replace nursing facilities damaged by spring flooding in 1997. The commissioner may not issue a request for proposals for moratorium projects not related to spring flooding until this expedited process is completed. For facilities that require total replacement and the relocation of residents to other facilities during construction, the operating cost payment rates for the new facility shall be determined using the interim and settle-up payment provisions of Minnesota Rules, part 9549.0057, and the reimbursement provisions of Minnesota Statutes, section 256B.431, except that subdivision 25 26, paragraphs (a) and (b), ~~clause (3), and (d)~~, shall not apply until the second rate year after the

settle-up cost report is filed. Property-related reimbursement rates shall be determined under ~~Minnesota Rules, chapter 9549~~ Statutes, section 256B.431, taking into account any federal or state flood-related loans or grants provided to a facility. The medical assistance costs of this paragraph shall be paid from the amount made available in section 2 of this article for moratorium exceptions. This paragraph is effective the day following final enactment and is not subject to section 13 of this article.

Sec. 3. Minnesota Statutes 1996, section 256B.0913, subdivision 16, as added by S. F. No. 1908, article 4, section 39, if enacted, is amended to read:

Subd. 16. [CONVERSION OF ENROLLMENT.] Upon approval of the elderly waiver amendments described in section ~~42~~ 41, persons currently receiving services shall have their eligibility for the elderly waiver program determined under section 256B.0915. Persons currently receiving alternative care services whose income is under the special income standard according to Code of Federal Regulations, title 42, section 435.236, who are eligible for the elderly waiver program shall be transferred to that program and shall receive priority access to elderly waiver slots for six months after implementation of this subdivision. Persons currently enrolled in the alternative care program who are not eligible for the elderly waiver program shall continue to be eligible for the alternative care program as long as continuous eligibility is maintained. Continued eligibility for the alternative care program shall be reviewed every six months. Persons who apply for the alternative care program after approval of the elderly waiver amendments in section ~~42~~ 41 are not eligible for alternative care if they would qualify for the elderly waiver, with or without a spenddown.

Sec. 4. S. F. No. 1908, article 4, section 70, if enacted, is amended to read:

Sec. 70. [WAIVER MODIFICATION.]

The commissioner of human services shall seek federal approval for any modifications to the health care reform waiver necessary to implement the asset standard changes in sections ~~21 to 23~~ 22 to 24, and ~~28~~ 73, paragraph (a).

Sec. 5. S. F. No. 1908, article 4, section 73, if enacted, is amended to read:

Sec. 73. [REPEALER.]

(a) Minnesota Statutes 1996, sections 256B.057, subdivisions 2a and 2b; and 469.154, subdivision 6, are repealed.

(b) Minnesota Statutes 1996, section 256B.0625, subdivision 13b, is repealed the day following final enactment.

(c) Minnesota Rules, ~~part parts~~ 9505.1000 to 9505.1040, ~~is are~~ are repealed.

Sec. 6. Minnesota Statutes 1996, section 256B.0911, subdivision 2, as amended by S. F. No. 1908, article 9, section 10, if enacted, is amended to read:

Subd. 2. [PERSONS REQUIRED TO BE SCREENED; EXEMPTIONS.] All applicants to Medicaid certified nursing facilities must be screened prior to admission, regardless of income, assets, or funding sources, except the following:

(1) patients who, having entered acute care facilities from certified nursing facilities, are returning to a certified nursing facility;

(2) residents transferred from other certified nursing facilities located within the state of Minnesota;

(3) individuals who have a contractual right to have their nursing facility care paid for indefinitely by the veteran's administration;

(4) individuals who are enrolled in the Ebenezer/Group Health social health maintenance organization project, or enrolled in a demonstration project under section 256B.69, subdivision 18, at the time of application to a nursing home;

(5) individuals previously screened and currently being served under the alternative care program or under a home and community-based services waiver authorized under section 1915(c) of the Social Security Act; or

(6) individuals who are admitted to a certified nursing facility for a short-term stay, which, based upon a physician's certification, is expected to be 14 days or less in duration, and who have been screened and approved for nursing facility admission within the previous six months. This exemption applies only if the screener determines at the time of the initial screening of the six-month period that it is appropriate to use the nursing facility for short-term stays and that there is an adequate plan of care for return to the home or community-based setting. If a stay exceeds 14 days, the individual must be referred no later than the first county working day following the 14th resident day for a screening, which must be completed within five working days of the referral. Payment limitations in subdivision 7 will apply to an individual found at screening to not meet the level of care criteria for admission to a certified nursing facility.

Regardless of the exemptions in clauses (2) to (6), persons who have a diagnosis or possible diagnosis of mental illness, mental retardation, or a related condition must receive a preadmission screening before admission unless the admission prior to screening is authorized by the local mental health authority or the local developmental disabilities case manager, or unless authorized by the county agency according to Public Law Number 101-508.

Before admission to a Medicaid certified nursing home or boarding care home, all persons must be screened and approved for admission through an assessment process. The nursing facility is authorized to conduct case mix assessments which are not conducted by the county public health nurse under Minnesota Rules, part 9549.0059. The designated county agency is responsible for distributing the quality assurance and review form for all new applicants to nursing homes.

Other persons who are not applicants to nursing facilities must be screened if a request is made for a screening.

Sec. 7. S. F. No. 1908, article 9, section 24, if enacted, is amended to read:

Sec. 24. [EFFECTIVE DATE.]

~~Section~~ Sections 14 and 16, amending Minnesota Statutes 1996, section 518.17, subdivision 1, is are effective the day following final enactment.

Sec. 8. [EFFECTIVE DATE.]

Section 7 is effective the day following final enactment."

Delete the title and insert:

"A bill for an act relating to health; modifying the MinnesotaCare program; modifying general assistance medical care provisions; modifying loss ratio provisions for health care policies; modifying Medicare supplement plan provisions; modifying the regional coordinating boards; modifying the health technology advisory committee; eliminating the health care commission; modifying mandatory Medicare assignment; modifying MinnesotaCare tax provisions; regulating community purchasing arrangements; modifying disclosure provisions; eliminating integrated service networks; modifying community integrated service network provisions; modifying provisions of the public programs risk adjustment work group; modifying essential community provider provisions; modifying requirements for health plan companies; modifying provisions of the rural physician education account; modifying rural hospital provisions; modifying medical assistance provisions; establishing a senior citizen drug program; modifying Minnesota

comprehensive health association provisions; requiring studies; making technical changes; appropriating money; providing criminal penalties; amending Minnesota Statutes 1996, sections 60A.15, subdivision 1; 60A.951, subdivision 5; 62A.021, subdivision 1, and by adding a subdivision; 62A.316; 62A.61; 62D.02, subdivision 5; 62D.09, subdivision 3; 62E.02, subdivisions 13 and 18; 62E.11, subdivision 5; 62E.13, subdivision 2; 62J.017; 62J.06; 62J.07, subdivisions 1 and 3; 62J.09, subdivision 1; 62J.15, subdivision 1; 62J.152, subdivisions 1, 2, 4, 5, and by adding subdivisions; 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; 256.01, subdivision 2; 256.045, subdivision 3a; 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; 256.9358, subdivision 4; 256.9359, subdivision 2; 256.9362, subdivision 6; 256.9363, subdivisions 1 and 5; 256.9657, subdivision 3; 256B.056, subdivision 8; 256B.0625, subdivisions 13 and 15; 256B.0911, subdivision 2, as amended; 256B.0913, subdivision 16, as added; 256D.03, subdivisions 3 and 3b; 295.50, subdivisions 3, 4, 6, 7, 13, and 14; 295.51, subdivision 1; 295.52, subdivision 4, and by adding subdivisions; 295.53, subdivisions 1, 3, 4, and by adding a subdivision; 295.54, subdivisions 1 and 2; 295.55, subdivision 2; 295.582; S. F. No. 1908, article 1, sections 2; 3, subdivision 2; article 4, sections 70 and 73; and article 9, section 24; proposing coding for new law in Minnesota Statutes, chapters 16A; 62Q; 144; and 256; proposing coding for new law as Minnesota Statutes, chapter 62S; repealing Minnesota Statutes 1996, sections 62E.11, subdivision 12; 62J.03, subdivision 3; 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; Laws 1995, First Special Session chapter 3, article 13, section 2; Laws 1997, chapters 31, article 4; and 84, article 4."

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

Senate Conferees: (Signed) Linda Berglin, Pat Piper, Dallas C. Sams, Sheila M. Kiscaden, Becky Lourey

House Conferees: (Signed) Lee Greenfield, Thomas Huntley, John Dorn, Luanne Koskinen, Kevin Goodno

Ms. Berglin moved that the foregoing recommendations and Conference Committee Report on S.F. No. 1208 be now adopted, and that the bill be repassed as amended by the Conference Committee. The motion prevailed. So the recommendations and Conference Committee Report were adopted.

S.F. No. 1208 was read the third time, as amended by the Conference Committee, and placed on its repassage.

The question was taken on the repassage of the bill, as amended by the Conference Committee.

The roll was called, and there were yeas 61 and nays 0, as follows:

Those who voted in the affirmative were:

Anderson	Day	Higgins	Junge	Langseth
Beckman	Dille	Hottinger	Kelley, S.P.	Larson
Belanger	Fischbach	Janezich	Kiscaden	Lesewski
Berg	Flynn	Johnson, D.E.	Kleis	Lessard
Berglin	Foley	Johnson, D.H.	Knutson	Limmer
Betzold	Frederickson	Johnson, D.J.	Krentz	Lourey
Cohen	Hanson	Johnson, J.B.	Laidig	Marty

Metzen	Ourada	Robertson	Solon	Wiener
Moe, R.D.	Pappas	Robling	Stevens	Wiger
Murphy	Pariseau	Runbeck	Stumpf	
Novak	Piper	Sams	Ten Eyck	
Oliver	Pogemiller	Scheevel	Terwilliger	
Olson	Price	Scheid	Vickerman	

So the bill, as amended by the Conference Committee, was repassed and its title was agreed to.

RECONSIDERATION

Mr. Moe, R.D. moved that the vote whereby S.F. No. 1208 was passed by the Senate on May 19, 1997, be now reconsidered. The motion prevailed.

S.F. No. 1208 was read the third time, as amended by the Conference Committee, and placed on its repassage.

The question was taken on the repassage of the bill, as amended by the Conference Committee.

The roll was called, and there were yeas 62 and nays 3, as follows:

Those who voted in the affirmative were:

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

Mrs. Fischbach, Messrs. Limmer and Neuville voted in the negative.

So the bill, as amended by the Conference Committee, was repassed and its title was agreed to.

MOTIONS AND RESOLUTIONS - CONTINUED

CONFIRMATION

Mr. Johnson, D.J. moved that the report from the Committee on Taxes, reported May 19, 1997, pertaining to appointments, be taken from the table. The motion prevailed.

Mr. Johnson, D.J. moved that the foregoing report be now adopted. The motion prevailed.

Mr. Johnson, D.J. moved that in accordance with the report from the Committee on Taxes, reported May 19, 1997, the Senate, having given its advice, do now consent to and confirm the appointment of:

TAX COURT

Kathleen Doar, 1617 W. 25th St., Minneapolis, Hennepin County, effective April 23, 1997, for a term expiring on the first Monday in January, 2003.

The motion prevailed. So the appointment was confirmed.

S.F. No. 254 and the Conference Committee Report thereon were reported to the Senate.

CONFERENCE COMMITTEE REPORT ON S.F. NO. 254

A bill for an act relating to natural resources; modifying certain fish habitat and propagation provisions; authorizing the commissioner to establish special hunts for youth; permitting youth residents to hunt deer without a license tag; authorizing rules to restrict airboats; modifying provisions relating to taking minnows; authorizing the commissioner to sell merchandise; providing purposes for the game and fish fund; modifying stamp provisions; modifying the procedure for vacating or modifying a state game refuge; defining terms; prohibiting airboats on certain lakes; permitting persons 65 years of age or older to take certain game with a crossbow; establishing shooting hours for migratory game birds; modifying license provisions; modifying personal watercraft provisions; requiring personal watercraft safety certificate; requiring snowmobile state trail permit; requiring snowmobile safety certificate; modifying recreational motor vehicle provisions; modifying special license plate provisions; establishing firearms safety pilot program; requiring reports; providing criminal penalties; appropriating money; amending Minnesota Statutes 1996, sections 17.4982, by adding subdivisions; 17.4983, by adding a subdivision; 17.4998; 84.0855; 84.82, subdivisions 2 and 3; 84.87, subdivision 2; 84.872, by adding a subdivision; 84.873; 86B.313, subdivisions 1, 3, 4, and by adding a subdivision; 97A.015, subdivisions 49, 53, and by adding a subdivision; 97A.045, subdivision 7; 97A.055, subdivision 1; 97A.075, subdivision 3; 97A.085, subdivision 8; 97A.101, by adding a subdivision; 97A.411, subdivisions 1 and 3; 97A.421, subdivision 1; 97A.465, subdivision 4; 97A.485, subdivision 9, and by adding a subdivision; 97B.035, subdivision 1; 97B.075; 97B.106; 97B.301, subdivision 6; 97B.655, subdivision 1; 97B.805, subdivision 2; 97C.035, subdivision 1; 97C.211, subdivision 1, and by adding a subdivision; 97C.505, by adding a subdivision; 168.1291; 168.1296, subdivision 1; 296.16, subdivision 1; and 609.487, by adding a subdivision; proposing coding for new law in Minnesota Statutes, chapters 84; and 97B; repealing Minnesota Statutes 1996, section 97A.111.

May 18, 1997

The Honorable Allan H. Spear
President of the Senate

The Honorable Phil Carruthers
Speaker of the House of Representatives

We, the undersigned conferees for S.F. No. 254, report that we have agreed upon the items in dispute and recommend as follows:

That the House recede from its amendments and that S.F. No. 254 be further amended as follows:

Delete everything after the enacting clause and insert:

"Section 1. Minnesota Statutes 1996, section 17.4982, is amended by adding a subdivision to read:

Subd. 18a. [NONINDIGENOUS SPECIES.] "Nonindigenous species" means a species of fish or other aquatic life that is:

- (1) not known to have been historically present in the state;
- (2) not known to be naturally occurring in a particular part of the state; or
- (3) designated by rule as a prohibited or restricted exotic species.

Sec. 2. Minnesota Statutes 1996, section 17.4982, is amended by adding a subdivision to read:

Subd. 18b. [NONINDIGENOUS STRAIN.] "Nonindigenous strain" means a species of fish or other aquatic life that:

- (1) has an original source outside of this state and contiguous states;

(2) is an unnaturally occurring hybrid or genetically engineered species; or

(3) in areas north of marked state highway 210, is a walleye, the original source of which is from south of marked state highway 210 or from outside the state.

Sec. 3. Minnesota Statutes 1996, section 17.4982, is amended by adding a subdivision to read:

Subd. 18c. [PROCESSING.] "Processing" means rendering a species of aquatic life for food, bait, or other purposes so that it is no longer alive.

Sec. 4. Minnesota Statutes 1996, section 17.4983, is amended by adding a subdivision to read:

Subd. 8. [INTERFERENCE PROHIBITED.] A person may not knowingly damage, disturb, or interfere with legal aquatic farm operations.

Sec. 5. Minnesota Statutes 1996, section 17.4998, is amended to read:

17.4998 [VIOLATIONS; PENALTY.]

Subdivision 1. [MISDEMEANOR.] Unless a different penalty is prescribed, a violation of a provision of sections 17.4981 to 17.4997 or a rule of the commissioner governing the operation of an aquatic farm, private fish hatchery, or quarantine facility is a misdemeanor.

Subd. 2. [PETTY MISDEMEANOR.] A first and second violation, within a three-year period, of sections 17.4981 to 17.4997 or a rule of the commissioner governing the operation of an aquatic farm, private fish hatchery, or quarantine facility is a petty misdemeanor if it does not involve intentionally falsifying records and does not put public waters or other fish hatchery facilities at risk from harmful nonindigenous species, nonindigenous strains, or emergency fish diseases.

Subd. 3. [LICENSE VOID.] The license of a person convicted of a violation of sections 17.4981 to 17.4997 or a rule of the commissioner governing the operation of an aquatic farm, private fish hatchery, or quarantine facility is void for a period of one year after the conviction if the person is convicted of two or more misdemeanors within a three-year period. If the commissioner determines that the public welfare will not be injured, the commissioner may reinstate a license voided under this subdivision.

Sec. 6. Minnesota Statutes 1996, section 84.0855, is amended to read:

84.0855 [~~SPECIAL SALES; RECEIPTS; APPROPRIATION.~~]

Subdivision 1. [SALES AUTHORIZED; GIFT CERTIFICATES.] The commissioner may sell natural resources-related publications and maps; federal migratory waterfowl, junior duck, and other federal stamps; and other nature-related merchandise, and may rent or sell items for the convenience of persons using department of natural resources facilities or services. The commissioner may sell gift certificates for any items rented or sold. Notwithstanding section 16A.1285, a fee charged by the commissioner under this section may include a reasonable amount in excess of the actual cost to support department of natural resources programs. The commissioner may advertise the availability of a program or item offered under this section.

Subd. 2. [RECEIPTS; APPROPRIATION.] Money received by the commissioner of natural resources as fees for seminars or workshops, from the sale of publications and maps, from the sale of other natural resource-related merchandise, under this section or to buy supplies for the use of volunteers, may be credited to one or more special accounts in the state treasury and is appropriated to the commissioner for the purposes for which the money was received. Money received from sales at the state fair shall be available for state fair related costs.

Sec. 7. Minnesota Statutes 1996, section 84.82, subdivision 2, is amended to read:

Subd. 2. [APPLICATION, ISSUANCE, REPORTS, ADDITIONAL FEE.] (a) Application for registration or reregistration shall be made to the commissioner of natural resources, or the commissioner of public safety or an authorized deputy registrar of motor vehicles in such form as the commissioner of public safety shall prescribe, and shall state the legal name and address of every owner of the snowmobile and be signed by at least one owner.

(b) A person who purchases a snowmobile from a retail dealer shall make application for registration to the dealer at the point of sale. The dealer shall issue a temporary registration permit to each purchaser who applies to the dealer for registration. The temporary registration is valid for 60 days from the date of issue. Each retail dealer shall submit completed registration and fees to the deputy registrar at least once a week. Upon receipt of the application and the appropriate fee as hereinafter provided, such snowmobile shall be registered and a registration number assigned which shall be affixed to the snowmobile in such a clearly visible and permanent manner for enforcement purposes as the commissioner of natural resources shall prescribe.

(c) Each deputy registrar of motor vehicles acting pursuant to section 168.33, shall also be a deputy registrar of snowmobiles. The commissioner of natural resources in agreement with the commissioner of public safety may prescribe the accounting and procedural requirements necessary to assure efficient handling of registrations and registration fees. Deputy registrars shall strictly comply with these accounting and procedural requirements.

(d) A fee of \$2 in addition to that otherwise prescribed by law shall be charged for:

(1) each snowmobile registered by the registrar or a deputy registrar and the additional fee shall be disposed of in the manner provided in section 168.33, subdivision 2; or

(2) each snowmobile registered by the commissioner and the additional fee shall be deposited in the state treasury and credited to the snowmobile trails and enforcement account in the natural resources fund.

Sec. 8. Minnesota Statutes 1996, section 84.87, subdivision 2, is amended to read:

Subd. 2. [OPERATION GENERALLY.] It shall be unlawful for any person to drive or operate any snowmobile in the following unsafe or harassing ways:

~~(a)~~ (1) at a rate of speed greater than reasonable or proper under all the surrounding circumstances;

~~(b)~~ (2) in a careless, reckless or negligent manner so as to endanger the person or property of another or to cause injury or damage thereto;

~~(c)~~ (3) without a lighted head and taillight when required for safety; or

~~(d)~~ (4) in any tree nursery or planting in a manner which damages or destroys growing stock.

Sec. 9. Minnesota Statutes 1996, section 84.872, is amended by adding a subdivision to read:

Subd. 1a. [HELMET REQUIRED.] (a) No person under the age of 18 shall operate or ride a snowmobile in this state without wearing protective headgear that complies with standards established by the commissioner of public safety.

(b) The provisions of this subdivision shall not apply to persons during their participation in a parade that has been granted a permit or other official authorization by a local unit of government or to a person operating a snowmobile on land that is owned by the person or the person's parents, grandparents, siblings, uncles, or aunts.

Sec. 10. Minnesota Statutes 1996, section 84.873, is amended to read:

84.873 [SIGNAL FROM OFFICER TO STOP.]

It is unlawful for a snowmobile operator, after having received a visual or audible signal from any law enforcement officer to come to a stop, to ~~(a)~~ (1) operate a snowmobile in willful or wanton disregard of such signal, or ~~(b)~~ (2) interfere with or endanger the law enforcement officer or any other person or vehicle, ~~or (c) increase speed or attempt to flee or elude the officer.~~

Sec. 11. Minnesota Statutes 1996, section 86B.201, is amended by adding a subdivision to read:

Subd. 3. [NONMOTORIZED CARRY-ON ACCESS.] A person may access any public waters through public land with a hand-carried nonmotorized watercraft.

Sec. 12. Minnesota Statutes 1996, section 97A.015, is amended by adding a subdivision to read:

Subd. 37a. [PROCESSING.] "Processing" means rendering a species of aquatic life for food, bait, or other purposes so that it is no longer alive.

Sec. 13. Minnesota Statutes 1996, section 97A.015, subdivision 49, is amended to read:

Subd. 49. [UNDRESSED BIRD.] "Undressed bird" means:

(1) a bird, excluding migratory waterfowl, pheasant, Hungarian partridge, or grouse, with feet and feathered head intact;

(2) a migratory waterfowl, excluding geese, with a fully feathered wing and head attached; ~~or~~

(3) a pheasant, Hungarian partridge, or grouse with one leg and foot or the fully feathered head or wing intact; or

(4) a goose with a fully feathered wing attached.

Sec. 14. Minnesota Statutes 1996, section 97A.015, subdivision 53, is amended to read:

Subd. 53. [UNPROTECTED WILD ANIMALS.] "Unprotected wild animals" means wild animals that are not protected wild animals including weasel, coyote (brush wolf), gopher, porcupine, striped skunk, ~~eivet-eat~~, and unprotected birds.

Sec. 15. Minnesota Statutes 1996, section 97A.045, subdivision 7, is amended to read:

Subd. 7. [DUTY TO ENCOURAGE STAMP DESIGN AND PURCHASES.] (a) The commissioner shall encourage the purchase of:

(1) Minnesota migratory waterfowl stamps by nonhunters interested in ~~the~~ migratory waterfowl preservation and habitat development;

(2) pheasant stamps by persons interested in pheasant habitat improvement; ~~and~~

(3) trout and salmon stamps by persons interested in trout and salmon stream and lake improvement; and

(4) turkey stamps by persons interested in wild turkey management and habitat improvement.

(b) The commissioner shall make rules governing contests for selecting a design for each stamp.

Sec. 16. Minnesota Statutes 1996, section 97A.075, subdivision 3, is amended to read:

Subd. 3. [TROUT AND SALMON STAMP.] (a) Ninety percent of the revenue from trout and salmon stamps must be credited to the trout and salmon management account. Money in the account may be used only for:

(1) the development, restoration, maintenance, and preservation of trout streams and lakes; ~~and~~

(2) rearing ~~and stocking~~ of trout and salmon and stocking of trout and salmon in ~~trout~~ streams and lakes and Lake Superior;

(3) acquisition of easements and fee title along trout waters;

(4) identifying easement and fee title areas along trout waters; and

(5) research and special management projects on Lake Superior and the anadromous portions of its tributaries.

(b) Money in the account may not be used for costs unless they are directly related to a specific

parcel of land or body of water under paragraph (a) or to specific fish rearing activities under paragraph (a), clause (2).

Sec. 17. Minnesota Statutes 1996, section 97A.085, subdivision 8, is amended to read:

Subd. 8. [MODIFICATION OR ABANDONMENT.] A state game refuge may be vacated or modified by the commissioner under the same procedures required for establishment of the refuge, except that a refuge established or modified under subdivision 2 or 3 may be vacated or modified following a public hearing as specified in subdivision 4a.

Sec. 18. Minnesota Statutes 1996, section 97A.101, is amended by adding a subdivision to read:

Subd. 4. [RESTRICTIONS ON AIRBOATS, WATERCRAFT, AND RECREATIONAL VEHICLES.] (a) The use of airboats is prohibited at all times on lakes designated for wildlife management purposes under this section unless otherwise authorized by the commissioner.

(b) The commissioner may restrict the use of motorized watercraft and recreational vehicles on lakes designated for wildlife management purposes by posting all public access points on the designated lake.

Sec. 19. Minnesota Statutes 1996, section 97A.411, subdivision 1, is amended to read:

Subdivision 1. [LICENSE PERIOD.] (a) Except as provided in paragraph (b), a license is valid during the lawful time within the license year that the licensed activity may be performed. A license year begins on the first day of March and ends on the last day of February.

(b) A license issued under section 97A.475, subdivision 6, clause (5), or section 97A.475, subdivision 7, clause (2), (3), (5), or (6), or 97A.475, subdivision 12, clause (2), is valid for the full license period even if this period extends into the next license year, provided that the license period selected by the licensee begins at the time of issuance.

Sec. 20. Minnesota Statutes 1996, section 97A.411, subdivision 3, is amended to read:

Subd. 3. [~~ARCHERY DEER LICENSE.~~] (a) Except as provided in ~~paragraph~~ paragraphs (b) and c, a license to take deer by archery, firearms, or muzzleloader issued after the opening of the related archery, firearms, or muzzleloader deer season, respectively, is not valid until the ~~fifth~~ second day after it is issued.

(b) The commissioner may issue a license to take ~~a second~~ additional deer by ~~archery~~ under section 97B.301, subdivision 4, that is valid immediately upon issuance.

(c) Paragraph (a) does not apply to deer licenses for discharged military personnel under section 97A.465, subdivision 4.

Sec. 21. Minnesota Statutes 1996, section 97A.421, subdivision 1, is amended to read:

Subdivision 1. [GENERAL.] (a) The license of a person convicted of a violation of the game and fish laws relating to the license or wild animals covered by the license is void when:

(1) a second conviction occurs within three years under a license to take small game or to take fish by angling or spearing;

(2) a third conviction occurs within one year under a minnow dealer's license;

(3) a second conviction occurs within three years for violations of section 97A.425 that do not involve falsifications or intentional omissions of information required to be recorded, or attempts to conceal unlawful acts within the records; ~~or~~

(4) two or more misdemeanor convictions occur within a three-year period under a private fish hatchery license; or

(5) the conviction occurs under a license not described in clause (1) or (2), or (4) or is for a violation of section 97A.425 not described in clause (3).

(b) Except for big game licenses and as otherwise provided in this section, for one year after the conviction the person may not obtain the kind of license relating to the game and fish law violation.

Sec. 22. Minnesota Statutes 1996, section 97A.465, subdivision 4, is amended to read:

Subd. 4. [DISCHARGED RESIDENT; OBTAINING DEER LICENSE DURING SEASON.] ~~Notwithstanding section 97A.485, subdivision 9,~~ A resident who is discharged from the United States armed forces during, or within ten days before, the firearms deer season may, upon showing the official discharge paper, obtain a firearm deer license during the season that is valid immediately upon issuance.

Sec. 23. Minnesota Statutes 1996, section 97A.475, subdivision 2, is amended to read:

Subd. 2. [RESIDENT HUNTING.] Fees for the following licenses, to be issued to residents only, are:

- (1) for persons under age 65 to take small game, \$10;
- (2) for persons age 65 or over, \$5;
- (3) to take turkey, \$16;
- (4) to take deer with firearms, \$22;
- (5) to take deer by archery, \$22;
- (6) to take moose, for a party of not more than six persons, \$275;
- (7) to take bear, \$33;
- (8) to take elk, for a party of not more than two persons, \$220; ~~and~~
- (9) to take antlered deer in more than one zone, \$44; and
- (10) to take Canada geese during a special season, \$3.

Sec. 24. Minnesota Statutes 1996, section 97A.475, subdivision 3, is amended to read:

Subd. 3. [NONRESIDENT HUNTING.] Fees for the following licenses, to be issued to nonresidents, are:

- (1) to take small game, \$56;
- (2) to take deer with firearms, \$110;
- (3) to take deer by archery, \$110;
- (4) to take bear, \$165;
- (5) to take turkey, \$56;
- (6) to take raccoon, bobcat, fox, coyote, or lynx, \$137.50; ~~and~~
- (7) to take antlered deer in more than one zone, \$220; and
- (8) to take Canada geese during a special season, \$3.

Sec. 25. Minnesota Statutes 1996, section 97A.485, subdivision 6, is amended to read:

Subd. 6. [LICENSES TO BE SOLD AND ISSUING FEES.] (a) Persons authorized to sell

licenses under this section must sell the following licenses for the license fee and the following issuing fees:

- (1) to take deer or bear with firearms and by archery, the issuing fee is \$1;
- (2) Minnesota sporting, the issuing fee is \$1; and
- (3) to take small game, for a person under age 65 to take fish by angling or for a person of any age to take fish by spearing, and to trap fur-bearing animals, the issuing fee is \$1;
- (4) for a trout and salmon stamp that is not issued simultaneously with an angling or sporting license, an issuing fee of 50 cents may be charged at the discretion of the authorized seller; and
- (5) for stamps other than a trout and salmon stamp, and for a special season Canada goose license, there is no fee.

(b) An issuing fee may not be collected for issuance of a trout and salmon stamp if a stamp is issued simultaneously with the related angling or sporting license. Only one issuing fee may be collected when selling more than one trout and salmon stamp in the same transaction after the end of the season for which the stamp was issued.

(c) The auditor or subagent shall keep the issuing fee as a commission for selling the licenses.

(d) The commissioner shall collect the issuing fee on licenses sold by the commissioner.

(e) A license, except stamps, must state the amount of the issuing fee and that the issuing fee is kept by the seller as a commission for selling the licenses.

(f) For duplicate licenses, the issuing fees are:

- (1) for licenses to take big game, 75 cents; and
- (2) for other licenses, 50 cents.

Sec. 26. Minnesota Statutes 1996, section 97A.485, subdivision 9, is amended to read:

Subd. 9. [CERTAIN LICENSES NOT TO BE ISSUED AFTER SEASON OPENS.] (a) The following licenses may not be issued after the day before the opening of the related firearms season:

~~(1) to take deer with firearms, except a license to take more than one deer under section 97B.301, subdivision 4;~~

~~(2) to guide bear hunters; and~~

~~(3) (2) to guide turkey hunters.~~

~~(b) Paragraph (a) does not apply to deer licenses for discharged military personnel under section 97A.465, subdivision 4.~~

~~(c) A nonresident license or tag to take and possess raccoon, bobcat, Canada lynx, or fox may not be issued after the fifth day of the open season.~~

Sec. 27. Minnesota Statutes 1996, section 97A.485, is amended by adding a subdivision to read:

Subd. 12. [YOUTH DEER LICENSE.] The commissioner may, for a fee of \$5, issue to a resident under the age of 16 a license, without a tag, to take deer with firearms. A youth holding a license issued under this subdivision may hunt under the license only if accompanied by a licensed hunter who is at least 18 years of age and possesses a valid tag. A deer taken by a youth holding a license issued under this subdivision must be promptly tagged by the licensed hunter accompanying the youth. Section 97B.301, subdivision 6, does not apply to a youth holding a license issued under this subdivision.

Sec. 28. Minnesota Statutes 1996, section 97B.055, subdivision 2, is amended to read:

Subd. 2. [RESTRICTIONS RELATED TO MOTOR VEHICLE.] A person may not take a wild animal with a firearm or by archery from a motor vehicle except as permitted in this section. An archer in a permitted bow fishing tournament may transport the bow uncased while in an electric motor-powered boat.

Sec. 29. Minnesota Statutes 1996, section 97B.075, is amended to read:

97B.075 [HUNTING RESTRICTED BETWEEN EVENING AND MORNING.]

A person may not take protected wild animals, except raccoon and fox, with a firearm between the evening and morning times established by commissioner's rule, except big game may be taken from one-half hour before sunrise until one-half hour after sunset, and, except as otherwise prescribed by the commissioner during the first eight days of the season, until January 1, 2001, waterfowl may be taken from one-half hour before sunrise until sunset during the entire season prescribed by the commissioner.

Sec. 30. [97B.112] [SPECIAL HUNTS FOR YOUTH.]

The commissioner may by rule establish criteria, special seasons, and limits for youth hunters to take big game and small game by firearms or archery in designated areas or times. The criteria may also include provisions for an unlicensed adult to assist a youth hunter during a special season or special hunt established under this section.

Sec. 31. Minnesota Statutes 1996, section 97B.211, subdivision 1, is amended to read:

Subdivision 1. [POSSESSION OF FIREARMS PROHIBITED.] (a) ~~Except as provided in paragraph (b) when hunting bear,~~ a person may not take big game by archery while in possession of a firearm.

~~(b) A person may take bear by archery while in possession of a handgun specified in section 97B.031, subdivision 1.~~

Sec. 32. Minnesota Statutes 1996, section 97B.301, subdivision 6, is amended to read:

Subd. 6. [RESIDENTS UNDER AGE 16 MAY TAKE DEER OF EITHER SEX.] A resident under the age of 16 may take a deer of either sex except in those antlerless permit areas and seasons where no antlerless permits are offered. In antlerless permit areas where no antlerless permits are offered, the commissioner may provide a limited number of youth either sex permits to residents under age 16, under the procedures provided in section 97B.305, and may give preference to residents under the age of 16 that have not previously been selected. This subdivision does not authorize the taking of an antlerless deer by another member of a party under subdivision 3.

Sec. 33. Minnesota Statutes 1996, section 97B.655, subdivision 1, is amended to read:

Subdivision 1. [OWNERS AND OCCUPANTS MAY TAKE CERTAIN ANIMALS.] A person may take mink, squirrel, rabbit, hare, raccoon, lynx, bobcat, fox, opossum, muskrat, or beaver on land owned or occupied by the person where the animal is causing damage. The person may take the animal without a license and in any manner except by poison, or artificial lights in the closed season. Raccoons may be taken under this subdivision with artificial lights during open season. A person that kills mink, raccoon, lynx, bobcat, fox, opossum, muskrat, or beaver under this subdivision must bring the entire animal to notify a conservation officer or employee of the division within 24 hours after the animal is killed.

Sec. 34. [97B.802] [SPECIAL CANADA GOOSE SEASON LICENSE REQUIRED.]

Except as provided in this section, a person required to possess a small game license may not take Canada geese during a special season without a valid special season Canada goose license in possession. Residents under age 18 or over age 65 and persons hunting on their own property are not required to possess the license.

Sec. 35. [97B.926] [PINE MARTEN AND FISHER ZONE.]

Where a combined pine marten and fisher trapping zone exists, the commissioner must provide an option of a combined limit of fisher and marten.

Sec. 36. Minnesota Statutes 1996, section 97C.035, subdivision 1, is amended to read:

Subdivision 1. [CONDITIONS.] If the commissioner determines that fish ~~in shallow waters are endangered by lack of oxygen in the winter in danger of dying~~, or if waters will be restored with the use of piscicides, the commissioner ~~shall~~ may rescue the fish under subdivision 2 or allow taking of the fish under subdivision 3.

Sec. 37. Minnesota Statutes 1996, section 97C.211, subdivision 1, is amended to read:

Subdivision 1. [LICENSE REQUIRED.] A person may not operate a private fish hatchery without a private fish hatchery license. A private fish hatchery is a facility for raising fish, including minnows, for sale, stocking waters, angling, or processing. A private fish hatchery license is valid for five years but must be renewed annually.

Sec. 38. Minnesota Statutes 1996, section 97C.211, is amended by adding a subdivision to read:

Subd. 6. [NONPUBLIC RECORDS.] Information on production, harvest, and sales of aquatic life by a private fish hatchery is nonpublic information.

Sec. 39. Minnesota Statutes 1996, section 97C.321, subdivision 1, is amended to read:

Subdivision 1. [GENERAL PROHIBITION.] A person may not take fish by angling with a set line or an unattended line except as provided in this section and ~~section 97C.801~~ rules adopted under the game and fish laws.

Sec. 40. Minnesota Statutes 1996, section 97C.505, is amended by adding a subdivision to read:

Subd. 7. [INTERFERENCE PROHIBITED.] A person may not knowingly damage, disturb, or interfere with legal commercial minnow harvest operations.

Sec. 41. Minnesota Statutes 1996, section 97C.801, subdivision 2, is amended to read:

Subd. 2. [COMMERCIAL FISH NETTING AND SET LINES ON MISSISSIPPI RIVER.] (a) A license is required to commercially take rough fish with seines ~~and set lines~~ in the Mississippi river from the St. Croix river junction to St. Anthony Falls.

(b) A person may take rough fish in the Mississippi river, from the St. Croix river junction to St. Anthony Falls, only with the following equipment and methods:

(1) operations shall be conducted only in the flowing waters of the river and in tributary backwaters prescribed by the commissioner;

(2) ~~only one set line may be used that has an identification tag and not more than 100 hooks;~~

(3) ~~seines may be used only as prescribed by this section and rules adopted by the commissioner;~~

(4) ~~(3)~~ seines must be hauled to a landing immediately after being placed;

(5) ~~(4)~~ two seines may not be joined together in the water; and

(6) ~~(5)~~ a net seine may not be raised, laid out, or landed, between sunset and sunrise; and

~~(7) the location of a net or seine may not be changed from the place specified in the license application without notifying the commissioner of the proposed change.~~

Sec. 42. Minnesota Statutes 1996, section 168.1291, is amended to read:

168.1291 [SPECIAL LICENSE PLATES; DESIGN.]

Subdivision 1. [DEFINITION.] For purposes of this section "special license plates" means license plates issued under sections 168.12, subdivisions 2b to 2e; 168.123; 168.129; and 168.1292; ~~and 168.1296.~~

Subd. 2. [DESIGN OF SPECIAL LICENSE PLATES.] The commissioner shall design a single special license plate that will contain a unique number and a space for a unique symbol. The commissioner shall design a unique symbol related to the purpose of each special license plate. Any provision of sections 168.12, subdivisions 2b to 2e; 168.123; 168.129; and 168.1292; ~~and 168.1296~~ that requires the placement of a specified letter or letters on a special license plate applies to those license plates only to the extent that the commissioner includes the letter or letters in the design. Where a law authorizing a special license plate contains a specific requirement for graphic design of that license plate, that requirement applies to the appropriate unique symbol the commissioner designs.

Subd. 3. [ISSUANCE OF SPECIAL LICENSE PLATES WITH UNIQUE SYMBOLS.] Notwithstanding section 168.12, subdivisions 2b to 2e; 168.123; 168.129; ~~or 168.1292; or 168.1296~~, beginning with special license plates issued in calendar year 1996 the commissioner shall issue each class of special license plates permanently marked with specific designs under those laws only until the commissioner's supply of those license plates is exhausted. Thereafter the commissioner shall issue under those laws only the license plate authorized under subdivision 2, with the appropriate unique symbol attached.

Subd. 4. [FEES.] Notwithstanding section 168.12, subdivisions 2b to 2e; 168.123; 168.129; ~~or 168.1292; or 168.1296~~, the commissioner shall charge a fee of \$10 for each set of license plates issued under this section.

Subd. 5. [APPLICATION.] This section does not apply to a special motorcycle license plate designed by the registrar under section 168.123, subdivision 1, clause (2).

Sec. 43. Minnesota Statutes 1996, section 168.1296, subdivision 1, is amended to read:

Subdivision 1. [GENERAL REQUIREMENTS AND PROCEDURES.] (a) The registrar shall issue special critical habitat license plates to an applicant who:

- (1) is an owner or joint owner of a passenger automobile, pickup truck, or van;
- (2) pays a fee of \$10 to cover the costs of handling and manufacturing the plates;
- (3) pays the registration tax required under section 168.013;
- (4) pays the fees required under this chapter;
- (5) contributes ~~at least a minimum of~~ \$30 annually to the Minnesota critical habitat private sector matching account established in section 84.943; and
- (6) complies with laws and rules governing registration and licensing of vehicles and drivers.

(b) The critical habitat license application form must clearly indicate that the annual contribution specified under paragraph (a), clause (5), is a minimum contribution to receive the license plate and that the applicant may make an additional contribution to the account.

Sec. 44. Minnesota Statutes 1996, section 609.487, is amended by adding a subdivision to read:

Subd. 2a. [MOTOR VEHICLE; DEFINITION.] For the purposes of this section, "motor vehicle" has the meaning given it in section 169.01, subdivision 3, and includes a snowmobile, as defined in section 84.81.

Sec. 45. Laws 1993, chapter 273, section 1, as amended by Laws 1994, chapter 623, article 1, section 41, and Laws 1995, chapter 186, section 110, is amended to read:

Section 1. [AUTHORIZATION TO TAKE TWO DEER IN CERTAIN COUNTIES.]

Notwithstanding Minnesota Statutes, section 97B.301, subdivision 2, during the ~~1994, 1995, and 1996~~ 1997 and 1998 hunting seasons in Kittson, Lake of the Woods, Marshall, Pennington, and Roseau counties a person may obtain one firearms deer license and one archery deer license in the same license year and may take one deer under each license.

Sec. 46. Laws 1996, chapter 410, section 56, is amended to read:

Sec. 56. [PERSONAL FLOTATION DEVICE RULES; VIOLATIONS.]

A violation prior to May 1, ~~1997~~ 1999, of requirements added in the proposed rule published in the State Register, Volume 19, Number 45, pages 2207 to 2210, May 8, 1995, and subsequently adopted on October 2, 1995, shall not result in a penalty, but is punishable only by a safety warning.

Sec. 47. [STUDY.]

The commissioner of natural resources must survey and identify, with the cooperation of local grant-in-aid trail groups, possible one-way circular trail systems for snowmobile use. A recommendation must be made to the 1998 legislature.

Sec. 48. [GAME AND FISH FUND REPORT; 1997.]

(a) In the 1997 report required under Minnesota Statutes, section 97A.055, subdivision 4, paragraph (a), clause (3), the commissioner must include:

(1) an analysis and discussion of the appropriate level of expenditure from the game and fish fund for field operations support, administrative management, statewide indirect costs, fleet management, ecological services, office rent, statewide communications, unemployment compensation, regional indirect costs, and workers' compensation;

(2) a comparison of expenditures for each of the purposes listed in clause (1) from all funds and accounts used by the department; and

(3) recommendations for changes in the allocation of funding from the game and fish fund for the purposes listed in clause (1).

(b) The commissioner must establish a citizens advisory committee of 20 members to recommend to the commissioner and the house and senate natural resources policy committees actions that are necessary to promote Minnesota's hunting, trapping, and fishing heritage and to ensure the continuation of the heritage. Upon request, the commissioner may provide information and staff support to the committee. The committee members may not be compensated for their expenses in serving on the committee.

The committee also must evaluate the 1984 report entitled, the Governor's Citizen Commission to Promote Hunting and Fishing in Minnesota, and make any recommendations to complete the eleven-point reinvestment program mentioned in the report and to achieve the goals of the reinvest in Minnesota resources program.

Sec. 49. [FIREARMS SAFETY PILOT PROGRAM.]

The commissioner of natural resources is authorized to establish a two-year firearms safety pilot demonstration program promoting awareness and understanding of the safe use and storage of firearms that is value-neutral concerning firearms ownership. The demonstration program shall be conducted in two school districts, one of which shall be located in the metropolitan area and one of which shall be conducted in outstate Minnesota. The commissioner shall submit a report to the legislature by January 15, 1999, regarding the efficacy of the program and recommending whether the commissioner should continue and expand the program.

Sec. 50. [APPROPRIATION.]