

STATE OF MINNESOTA

# Journal of the Senate

EIGHTIETH LEGISLATURE

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FIFTY-EIGHTH DAY

St. Paul, Minnesota, Tuesday, May 13, 1997

The Senate met at 10:00 a.m. and was called to order by the President.

## CALL OF THE SENATE

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

Prayer was offered by the Chaplain, Rev. Robert G. Ross.

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.

## EXECUTIVE AND OFFICIAL COMMUNICATIONS

The following communications were received.

May 12, 1997

The Honorable Allan H. Spear  
President of the Senate

Dear President Spear:

It is my honor to inform you that I have received, approved, signed and deposited in the Office of the Secretary of State, S.F. Nos. 1000, 1404, 1136, 641 and 1097.

Warmest regards,  
Arne H. Carlson, Governor

May 12, 1997

The Honorable Phil Carruthers  
Speaker of the House of Representatives

The Honorable Allan H. Spear  
President of the Senate

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

S.F. No.	H.F. No.	Session Laws Chapter No.	Time and Date Approved 1997	Date Filed 1997
	686	133	11:10 a.m. May 12	May 12
1000		134	11:00 a.m. May 12	May 12
1404		135	11:02 a.m. May 12	May 12
1136		136	11:04 a.m. May 12	May 12
	156	137	11:13 a.m. May 12	May 12
	2179	138	11:20 a.m. May 12	May 12
641		140	11:06 a.m. May 12	May 12
1097		141	11:05 a.m. May 12	May 12

Sincerely,  
Joan Anderson Growe  
Secretary of State

May 13, 1997

The Honorable Allan H. Spear  
President of the Senate

Dear President Spear:

I have vetoed and am returning Chapter 139, Senate File Number 995, a bill relating to public employee retirement. This bill has several objectionable provisions.

First, by providing certain public employee groups special status to opt out of the Minnesota State Retirement System (MSRS) and develop individual retirement account plans (IRAP), this legislation will destabilize the funding of defined benefit plans through adverse selection. Allowing employees of the Minnesota Zoo, Perpich School for the Arts, the Academy for the Deaf and the Academy for the Blind to choose their own retirement plan and define the employer's liabilities will lead to a higher overall cost to the state. This practice should be avoided for the same reasons as apply in health insurance programs.

Other concerns with this legislation include:

By extending the MSRS general plan eligibility to seasonal employees of the Department of Revenue, it creates an annual \$91,000 cost without any source of funding.

It unwisely moves open appropriation authority for about \$70 million in State Police and Fire Aid from the Department of Revenue to the Department of Finance. The Department of Revenue is the agency that administers both of these programs, and appropriation authority should remain with the Commissioner of Revenue.

It allows retroactive service credit for one Minneapolis Teachers' Retirement Association member who made no contributions during a long period of employment. Even though this provision

would hold the fund harmless by requiring payment for full actuarial value of the benefit purchased, this is highly selective language that could apply to many members and should be thoroughly examined before this policy is created.

Most of the remaining provisions in this bill appear to address genuine needs and resolve serious problems in the pension and retirement policy area.

Warmest regards,  
Arne H. Carlson, Governor

Mr. Moe, R.D. moved that S.F. No. 995 and the veto message thereon be laid on the table. The motion prevailed.

### MESSAGES FROM THE HOUSE

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. 1351:** A bill for an act relating to public employment; making technical changes; modifying definitions; modifying certain arbitration procedures; ratifying certain labor agreements; amending Minnesota Statutes 1996, sections 3.855, subdivision 2; 43A.06, subdivision 1; 179A.03, subdivision 14; 179A.10, subdivision 1; 179A.11, subdivision 1; and 179A.16, subdivision 1.

Senate File No. 1351 is herewith returned to the Senate.

Edward A. Burdick, Chief Clerk, House of Representatives

Returned May 12, 1997

### CONCURRENCE AND REPASSAGE

Ms. Flynn moved that the Senate concur in the amendments by the House to S.F. No. 1351 and that the bill be placed on its repassage as amended. The motion prevailed.

S.F. No. 1351 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 48 and nays 0, as follows:

Those who voted in the affirmative were:

Anderson	Frederickson	Krentz	Murphy	Scheid
Belanger	Hanson	Langseth	Olson	Solon
Berg	Higgins	Larson	Ourada	Spear
Betzold	Hottinger	Lesewski	Pariseau	Stevens
Cohen	Janezich	Limmer	Piper	Terwilliger
Day	Johnson, D.E.	Lourey	Pogemiller	Vickerman
Dille	Johnson, D.H.	Marty	Robertson	Wiener
Fischbach	Johnson, D.J.	Metzen	Robling	Wiger
Flynn	Johnson, J.B.	Moe, R.D.	Runbeck	
Foley	Knutson	Morse	Scheevel	

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. 985:** A bill for an act relating to crimes; driving while impaired; providing criminal penalties for persons operating recreational vehicles who refuse an alcohol test; increasing criminal penalties, minimum sentences, and administrative sanctions for persons driving motor vehicles and operating recreational vehicles with an alcohol concentration of 0.20 or more; providing more severe requirements concerning conditional release and electronic alcohol monitoring pending trial, alcohol use assessment and treatment, driver's license revocation, license plate impoundment, and vehicle forfeiture for persons driving motor vehicles and operating recreational vehicles with an alcohol concentration of 0.20 or more; authorizing the imposition of a penalty assessment of up to \$1,000 for persons driving motor vehicles with an alcohol concentration of 0.20 or more; redefining relevant evidence for operating a motorboat while under the influence of alcohol; including in the definition of prior DWI offenses, the offense of driving a commercial vehicle while impaired; authorizing peace officers to stop vehicles bearing special series license plates; enhancing criminal penalties for repeat violations involving commercial motor vehicles; clarifying the definition of commercial vehicle; clarifying that certain revocation period applies only to first-time DWI offenders; making technical correction allowing the commissioner of public safety to determine examination required for reinstatement of driving privileges; providing for petition for reinstatement of commercial driver's license following disqualification; clarifying applicable requirements for licensing commercial driver instructors; striking the requirement that a second chemical test be available to a person accused of driving while impaired; making various changes to the implied consent hearing process involving what must be stated in the petition, available discovery, and the scope of the hearing; extending the period of time that a court may place an offender on probation for certain gross misdemeanor DWI violations; broadening the permissible uses of preliminary breath test results obtained in DWI situations; broadening the scope of the DWI forfeiture law to include certain implied consent license revocations; accelerating the applicability of the forfeiture law; authorizing an administrative forfeiture process; requiring courts to notify persons convicted of DWI offenses of possible vehicle forfeiture and plate impoundment for future offenses; making various technical changes; amending Minnesota Statutes 1996, sections 84.91, subdivisions 1, 2, 5, 7, 8, and by adding a subdivision; 84.911, subdivisions 2, 3, and 6; 84.912, subdivision 1; 86B.331, subdivisions 1, 2, 4, 5, 6, 7, 8, and by adding a subdivision; 86B.335, subdivisions 2, 3, 4, and 6; 86B.337, subdivision 1; 97B.066, subdivision 6, and by adding subdivisions; 168.042, subdivisions 1, 2, 4, 9, and 11, and by adding a subdivision; 169.01, subdivision 75; 169.121, subdivisions 1, 1c, 2, 3, 3a, 3b, 4, 6, and by adding a subdivision; 169.1211, subdivision 1, and by adding subdivisions; 169.1217; 169.123, subdivisions 3, 4, and 5c; 169.126, subdivision 1; 169.1261; 171.19; 171.30, by adding a subdivision; 340A.503, subdivision 2; 364.09; 609.135, subdivision 2; and 634.15, subdivision 2; proposing coding for new law in Minnesota Statutes, chapter 168; repealing Minnesota Statutes 1996, section 86B.335, subdivisions 11 and 12.

Senate File No. 985 is herewith returned to the Senate.

Edward A. Burdick, Chief Clerk, House of Representatives

Returned May 12, 1997

Mr. Foley moved that the Senate do not concur in the amendments by the House to S.F. No. 985, and that a Conference Committee of 3 members be appointed by the Subcommittee on Committees on the part of the Senate, to act with a like Conference Committee to be appointed on the part of the House. The motion prevailed.

Mr. President:

I have the honor to announce that the House has adopted the recommendation and report of the

Conference Committee on Senate File No. 566, and repassed said bill in accordance with the report of the Committee, so adopted.

**S.F. No. 566:** A bill for an act relating to lawful gambling; authorizing certain groupings of paddleticket cards; increasing percentage of lawful gambling gross profits that may be spent for expenses; restricting authority of gambling control board to impose sanctions against lawful gambling premises permits for illegal gambling; increasing maximum bingo prices; amending Minnesota Statutes 1996, sections 297E.04, subdivision 3; 349.12, subdivision 26a; 349.15, subdivision 1; 349.155, by adding a subdivision; 349.16, by adding a subdivision; 349.163, subdivision 8; 349.211, subdivisions 1 and 2; and 609.761, by adding a subdivision.

Senate File No. 566 is herewith returned to the Senate.

Edward A. Burdick, Chief Clerk, House of Representatives

Returned May 12, 1997

Mr. President:

I have the honor to announce that the House has adopted the recommendation and report of the Conference Committee on Senate File No. 755, and repassed said bill in accordance with the report of the Committee, so adopted.

**S.F. No. 755:** A bill for an act relating to meetings of governmental bodies; authorizing meetings by interactive television if certain criteria are met; amending Minnesota Statutes 1996, sections 3.055, by adding a subdivision; and 471.705, subdivision 1.

Senate File No. 755 is herewith returned to the Senate.

Edward A. Burdick, Chief Clerk, House of Representatives

Returned May 12, 1997

Mr. President:

I have the honor to announce that the House has adopted the recommendation and report of the Conference Committee on Senate File No. 612, and repassed said bill in accordance with the report of the Committee, so adopted.

**S.F. No. 612:** A bill for an act relating to Washington county; permitting the appointment of the recorder and auditor/treasurer.

Senate File No. 612 is herewith returned to the Senate.

Edward A. Burdick, Chief Clerk, House of Representatives

Returned May 12, 1997

Mr. President:

I have the honor to announce that the House has adopted the recommendation and report of the Conference Committee on Senate File No. 4, and repassed said bill in accordance with the report of the Committee, so adopted.

**S.F. No. 4:** A bill for an act relating to the military; changing the tuition and textbook reimbursement grant program; amending Minnesota Statutes 1996, section 192.501, subdivision 2.

Senate File No. 4 is herewith returned to the Senate.

Edward A. Burdick, Chief Clerk, House of Representatives

Returned May 13, 1997

Mr. President:

I have the honor to announce that the House has adopted the recommendation and report of the

Conference Committee on Senate File No. 526, and repassed said bill in accordance with the report of the Committee, so adopted.

**S.F. No. 526:** A bill for an act relating to agriculture; providing for food handler certification; proposing coding for new law in Minnesota Statutes, chapter 31.

Senate File No. 526 is herewith returned to the Senate.

Edward A. Burdick, Chief Clerk, House of Representatives

Returned May 13, 1997

Mr. President:

I have the honor to announce that the House has adopted the recommendation and report of the Conference Committee on Senate File No. 1881, and repassed said bill in accordance with the report of the Committee, so adopted.

**S.F. No. 1881:** A bill for an act relating to the organization and operation of state government; appropriating money for the department of transportation and other agencies with certain conditions; regulating certain activities and practices; providing for fees; establishing revolving account; requiring a study; amending Minnesota Statutes 1996, sections 16B.335, subdivision 1; 161.082, by adding a subdivision; 168.011, subdivision 9; 168.018; 168A.29, subdivision 1; 169.974, subdivision 2; 171.06, subdivision 2a; 171.13, by adding a subdivision; 173.13, subdivision 4; 296.16, subdivision 1; 360.015, by adding a subdivision; 360.017, subdivision 1; and 457A.04, subdivision 2; proposing coding for new law in Minnesota Statutes, chapter 299A; repealing Minnesota Statutes 1996, section 299D.10.

Senate File No. 1881 is herewith returned to the Senate.

Edward A. Burdick, Chief Clerk, House of Representatives

Returned May 13, 1997

Mr. President:

I have the honor to announce that the House refuses to concur in the Senate amendments to House File No. 254:

**H.F. No. 254:** A bill for an act relating to courts; providing for open juvenile court hearings in certain proceedings; providing certain juvenile records are open to public inspection as provided by the rules of juvenile court; amending Minnesota Statutes 1996, sections 260.155, subdivision 1; and 260.161, subdivision 2.

The House respectfully requests that a Conference Committee of 5 members be appointed thereon.

Skoglund, Biernat, Bishop, McGuire and Mulder have been appointed as such committee on the part of the House.

House File No. 254 is herewith transmitted to the Senate with the request that the Senate appoint a like committee.

Edward A. Burdick, Chief Clerk, House of Representatives

Transmitted May 12, 1997

Mr. Knutson moved that the Senate accede to the request of the House for a Conference Committee on H.F. No. 254, and that a Conference Committee of 5 members be appointed by the Subcommittee on Committees on the part of the Senate, to act with a like Conference Committee appointed on the part of the House. The motion prevailed.

Mr. President:

I have the honor to announce that the House refuses to concur in the Senate amendments to House File No. 244:

**H.F. No. 244:** A bill for an act relating to the environment; modifying requirements relating to individual sewage treatment systems; amending Minnesota Statutes 1996, section 115.55, subdivisions 2, 3, 5, 6, 7, and by adding a subdivision.

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

Bishop, Kalis and Sekhon have been appointed as such committee on the part of the House.

House File No. 244 is herewith transmitted to the Senate with the request that the Senate appoint a like committee.

Edward A. Burdick, Chief Clerk, House of Representatives

Transmitted May 12, 1997

Mr. Price moved that the Senate accede to the request of the House for a Conference Committee on H.F. No. 244, and that a Conference Committee of 3 members be appointed by the Subcommittee on Committees on the part of the Senate, to act with a like Conference Committee appointed on the part of the House. The motion prevailed.

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. 2147, and repassed said bill in accordance with the report of the Committee, so adopted.

House File No. 2147 is herewith transmitted to the Senate.

Edward A. Burdick, Chief Clerk, House of Representatives

Transmitted May 12, 1997

### CONFERENCE COMMITTEE REPORT ON H.F. NO. 2147

A bill for an act relating to education; providing for early childhood education, community, prevention, and self-sufficiency programs; appropriating money; amending Minnesota Statutes 1996, sections 12.21, subdivision 3; 15.53, subdivision 2; 119A.01, subdivision 3; 119A.04, subdivision 6, and by adding a subdivision; 119A.13, subdivisions 2, 3, and 4; 119A.14; 119A.15, subdivisions 2, 5, and by adding a subdivision; 119A.16; 119A.31, subdivisions 1 and 2; 119B.01, subdivisions 8, 9, 12, 16, 17, and by adding subdivisions; 119B.02; 119B.03, subdivisions 3, 4, 5, 6, 7, 8, and by adding subdivisions; 119B.04; 119B.05, subdivisions 1, 5, 6, and by adding a subdivision; 119B.07; 119B.08, subdivisions 1 and 3; 119B.09, subdivisions 1, 2, and by adding subdivisions; 119B.10, subdivision 1; 119B.11, subdivisions 1, 3, and by adding a subdivision; 119B.12; 119B.13, subdivision 1, and by adding subdivisions; 119B.15; 119B.16, subdivision 1; 119B.18, by adding a subdivision; 119B.20, subdivisions 7, 9, and 10; 119B.21, subdivisions 1, 2, 3, 4, 5, 6, 8, 9, 10, and 11; 120.05, subdivision 2; 121.831, subdivisions 3 and 4; 121.8355, subdivision 1; 121.88, subdivisions 1, 10, and by adding a subdivision; 121.882, subdivisions 2 and 6; 124.17, subdivision 2e; 124.26, subdivision 2, and by adding a subdivision; 124.2601, subdivisions 3, 4, 5, 6, and by adding a subdivision; 124.261, subdivision 1; 124.2615, subdivisions 1 and 2; 124.2711, subdivisions 1 and 2a; 124.2713, subdivisions 6 and 8; 124.2716, subdivision 3; 268.38, by adding a subdivision; 268.53, subdivision 5; 268.55, by adding a subdivision; 268.912; 268.913, subdivisions 2 and 4; and 268.914, subdivision 1; Laws 1996, chapter 463, section 4, subdivision 2, as amended; proposing coding for new law in Minnesota Statutes, chapters 119A; and 119B; repealing Minnesota Statutes 1996, sections 119B.03, subdivision 7; 119B.05, subdivisions 2 and 3; 119B.11, subdivision 2; 119B.19, subdivision 2; 119B.21, subdivision 7; 121.8355, subdivision 1a; and 268.913, subdivision 5.

May 9, 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. 2147, 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. 2147 be further amended as follows:

Delete everything after the enacting clause and insert:

"ARTICLE 1

EARLY CHILDHOOD PROGRAMS

Section 1. Minnesota Statutes 1996, section 12.21, subdivision 3, is amended to read:

Subd. 3. [SPECIFIC AUTHORITY.] In performing duties under this chapter and to effect its policy and purpose, the governor may:

(1) make, amend, and rescind the necessary orders and rules to carry out the provisions of this chapter and section 216C.15 within the limits of the authority conferred by this section, with due consideration of the plans of the federal government and without complying with sections 14.001 to 14.69, but no order or rule has the effect of law except as provided by section 12.32;

(2) ensure that a comprehensive emergency operations plan and emergency management program for this state are developed and maintained, and are integrated into and coordinated with the emergency plans of the federal government and of other states to the fullest possible extent;

(3) in accordance with the emergency operations plan and the emergency management program of this state, procure supplies and equipment, institute training programs and public information programs, and take all other preparatory steps, including the partial or full activation of emergency management organizations in advance of actual disaster to ensure the furnishing of adequately trained and equipped forces of emergency management personnel in time of need;

(4) make studies and surveys of the industries, resources, and facilities in this state as may be necessary to ascertain the capabilities of the state for emergency management and to plan for the most efficient emergency use of those industries, resources, and facilities;

(5) on behalf of this state, enter into mutual aid arrangements or cooperative agreements with other states and with Canadian provinces, and coordinate mutual aid plans between political subdivisions of this state;

(6) delegate administrative authority vested in the governor under this chapter, except the power to make rules, and provide for the subdelegation of that authority;

(7) cooperate with the president and the heads of the armed forces, the emergency management agency of the United States and other appropriate federal officers and agencies, and with the officers and agencies of other states in matters pertaining to the emergency management of the state and nation, including the direction or control of:

(i) emergency preparedness drills and exercises;

(ii) warnings and signals for drills or actual emergencies and the mechanical devices to be used in connection with them;

(iii) shutting off water mains, gas mains, electric power connections and the suspension of all other utility services;

(iv) the conduct of persons in the state and the movement and cessation of movement of pedestrians and vehicular traffic during, prior, and subsequent to drills or actual emergencies;

(v) public meetings or gatherings; and



(vi) the evacuation, reception, and sheltering of persons;

(8) contribute to a political subdivision, within the limits of the appropriation for that purpose, not more than 25 percent of the cost of acquiring organizational equipment that meets standards established by the governor;

(9) formulate and execute, with the approval of the executive council, plans and rules for the control of traffic in order to provide for the rapid and safe movement over public highways and streets of troops, vehicles of a military nature, materials for national defense and war or for use in any war industry, for the conservation of critical materials or for emergency management purposes, and coordinate the activities of the departments or agencies of the state and its political subdivisions concerned directly or indirectly with public highways and streets, in a manner that will best effectuate those plans;

(10) alter or adjust by executive order, without complying with sections 14.01 to 14.69, the working hours, work days and work week of, and annual and sick leave provisions and payroll laws regarding all state employees in the executive branch as the governor deems necessary to minimize the impact of the disaster or emergency, conforming the alterations or adjustments to existing state laws, rules, and collective bargaining agreements to the extent practicable;

(11) authorize the commissioner of children, families, and learning to alter school schedules, curtail school activities, or order schools closed without affecting state aid to schools, as defined in section 120.05, and including charter schools under section 120.064.

Sec. 2. Minnesota Statutes 1996, section 120.05, subdivision 2, is amended to read:

Subd. 2. [DEFINITIONS.] (1) Elementary school means any school with building, equipment, courses of study, class schedules, enrollment of pupils ordinarily in ~~grades 1 through 6~~ prekindergarten through grade 6 or any portion thereof and staff meeting the standards established by the state board of education.

The state board of education shall not close a school or deny any state aids to a district for its elementary schools because of enrollment limitations classified in accordance with the provisions of subdivision 2, clause (1).

(2) Middle school means any school other than a secondary school giving an approved course of study in a minimum of three consecutive grades above 4th but below 10th with building, equipment, courses of study, class schedules, enrollment, and staff meeting the standards established by the state board of education.

(3) Secondary school means any school with building, equipment, courses of study, class schedules, enrollment of pupils ordinarily in grades 7 through 12 or any portion thereof, and staff meeting the standards established by the state board of education.

(4) A vocational center school is one serving a group of secondary schools with approved areas of secondary vocational training and offering vocational secondary and adult programs necessary to meet local needs and meeting standards established by the state board of education.

Sec. 3. Minnesota Statutes 1996, section 121.831, subdivision 3, is amended to read:

Subd. 3. [PROGRAM ELIGIBILITY.] A learning readiness program shall include the following:

(1) a comprehensive plan to anticipate and meet the needs of participating families by coordinating existing social services programs and by fostering collaboration among agencies or other community-based organizations and programs that provide a full range of flexible, family-focused services to families with young children;

(2) a development and learning component to help children develop appropriate social, cognitive, and physical skills, and emotional well-being;

(3) health referral services to address children's medical, dental, mental health, and nutritional needs;

(4) a nutrition component to meet children's daily nutritional needs;

(5) parents' involvement in meeting children's educational, health, social service, and other needs;

(6) community outreach to ensure participation by families who represent the racial, cultural, and economic diversity of the community; and

(7) community-based staff and program resources, including interpreters, that reflect the racial and ethnic characteristics of the children participating in the program; and

(8) a literacy component to ensure that the literacy needs of parents are addressed through referral to and cooperation with adult basic education programs and other adult literacy programs.

Sec. 4. Minnesota Statutes 1996, section 121.831, subdivision 4, is amended to read:

Subd. 4. [PROGRAM CHARACTERISTICS.] Learning readiness programs are encouraged to:

(1) prepare an individualized service plan to meet each child's developmental and learning needs;

(2) provide parent education to increase parents' knowledge, understanding, skills, and experience in child development and learning;

(3) foster substantial parent involvement that may include having parents develop curriculum or serve as a paid or volunteer educator, resource person, or other staff;

(4) identify the needs of families in the content of the child's learning readiness and family literacy;

(5) expand collaboration with public organizations, businesses, nonprofit organizations, or other private organizations to develop a coordinated system of flexible, family-focused services available to anticipate and meet the full range of needs of all eligible children and their families;

(6) coordinate treatment and follow-up services for children's identified physical and mental health problems;

(7) offer transportation for eligible children and their families for whom other forms of transportation are unavailable or would constitute an excessive financial burden;

(8) make substantial outreach efforts to assure significant participation by families with the greatest needs, including those families whose income level does not exceed the most recent update of the poverty guidelines required by sections 652 and 673(2) of the Omnibus Budget Reconciliation Act of 1981 (Public Law Number 97-35);

(9) use community-based, trained home visitors serving as paraprofessionals to provide social support, referrals, parent education, and other services;

(10) create community-based family resource centers and interdisciplinary teams; and

(11) enhance the quality of family or center-based child care programs by providing supplementary services and resources, staff training, and assistance with children with special needs.

Sec. 5. Minnesota Statutes 1996, section 121.882, subdivision 2, is amended to read:

Subd. 2. [PROGRAM CHARACTERISTICS.] Early childhood family education programs are programs for children in the period of life from birth to kindergarten, for the parents of such children, and for expectant parents. The programs may include the following:

- (1) programs to educate parents about the physical, mental, and emotional development of children;
- (2) programs to enhance the skills of parents in providing for their children's learning and development;
- (3) learning experiences for children and parents that promote children's development;
- (4) activities designed to detect children's physical, mental, emotional, or behavioral problems that may cause learning problems;
- (5) activities and materials designed to encourage self-esteem, skills, and behavior that prevent sexual and other interpersonal violence;
- (6) educational materials which may be borrowed for home use;
- (7) information on related community resources;
- (8) programs to prevent child abuse and neglect; ~~or~~
- (9) other programs or activities to improve the health, development, and learning readiness of children; or
- (10) activities designed to maximize development during infancy.

The programs shall not include activities for children that do not require substantial involvement of the children's parents. The programs shall be reviewed periodically to assure the instruction and materials are not racially, culturally, or sexually biased. The programs shall encourage parents to be aware of practices that may affect equitable development of children.

Sec. 6. Minnesota Statutes 1996, section 124.2711, subdivision 1, is amended to read:

Subdivision 1. [REVENUE.] The revenue for early childhood family education programs for a school district equals \$101.25 for 1993 1998 and \$113.50 for 1999 and later fiscal years times the greater of:

- (1) 150; or
- (2) the number of people under five years of age residing in the school district on October 1 of the previous school year.

Sec. 7. Minnesota Statutes 1996, section 124.2711, subdivision 2a, is amended to read:

Subd. 2a. [EARLY CHILDHOOD FAMILY EDUCATION LEVY.] To obtain early childhood family education revenue, a district may levy an amount equal to the tax rate of ~~.609~~ .653 percent times the adjusted tax capacity of the district for the year preceding the year the levy is certified. If the amount of the early childhood family education levy would exceed the early childhood family education revenue, the early childhood family education levy shall equal the early childhood family education revenue.

Sec. 8. Minnesota Statutes 1996, section 268.912, is amended to read:

268.912 [HEAD START PROGRAM.]

The department of ~~economic security~~ children, families, and learning is the state agency responsible for administering the Head Start program. The commissioner of ~~economic security~~ children, families, and learning may make grants to public or private nonprofit agencies for the purpose of providing supplemental funds for the federal Head Start program.

Sec. 9. Minnesota Statutes 1996, section 268.913, subdivision 2, is amended to read:

Subd. 2. [PROGRAM ACCOUNT 20.] "Program account 20" means the federally designated and funded account ~~limited to~~ for training and technical assistance activities.

Sec. 10. Minnesota Statutes 1996, section 268.913, subdivision 4, is amended to read:

Subd. 4. [PROGRAM ACCOUNT 26 25.] "Program account 26 25" means the federally designated and funded account ~~that can only be used to provide special services to handicapped diagnosed children for parent child centers.~~

Sec. 11. Minnesota Statutes 1996, section 268.914, subdivision 1, is amended to read:

Subdivision 1. [STATE SUPPLEMENT FOR FEDERAL GRANTEEES.] (a) The commissioner of ~~economic security shall~~ children, families, and learning ~~must~~ distribute money appropriated for that purpose to Head Start program grantees to expand services and to serve additional low-income children. Money must be allocated to each project Head Start grantee in existence on the effective date of Laws 1989, chapter 282. Migrant and Indian reservation grantees must be initially allocated money based on the grantees' share of federal funds. The remaining money must be initially allocated to the remaining local agencies based equally on the agencies' share of federal funds and on the proportion of eligible children in the agencies' service area who are not currently being served. A Head Start grantee must be funded at a per child rate equal to its contracted, federally funded base level for program accounts ~~20 to 26~~ 20, 22, and 25 at the start of the fiscal year. In allocating funds under this paragraph, the commissioner of ~~economic security~~ must assure that each Head Start grantee is allocated no less funding in any fiscal year than was allocated to that grantee in fiscal year 1993. The commissioner may provide additional funding to grantees for start-up costs incurred by grantees due to the increased number of children to be served. Before paying money to the grantees, the commissioner ~~shall~~ must notify each grantee of its initial allocation, how the money must be used, and the number of low-income children that must be served with the allocation. Each grantee must notify the commissioner of the number of ~~additional~~ low-income children it will be able to serve. For any grantee that cannot ~~serve additional children to~~ utilize its full allocation, the commissioner ~~shall~~ must reduce the allocation proportionately. Money available after the initial allocations are reduced must be redistributed to eligible grantees.

(b) Up to 11 percent of the funds appropriated annually may be used to provide grants to local Head Start agencies to provide funds for innovative programs designed either to target Head Start resources to particular at-risk groups of children or to provide services in addition to those currently allowable under federal Head Start regulations. The commissioner ~~shall~~ must award funds for innovative programs under this paragraph on a competitive basis.

Sec. 12. [ADDITIONAL EARLY CHILDHOOD FAMILY EDUCATION AID; FISCAL YEAR 1998.]

A district that complies with Minnesota Statutes, section 121.882, shall receive additional early childhood family education aid for fiscal year 1998 equal to \$10 times the greater of:

(1) 150; or

(2) the number of people under five years of age residing in the school district on October 1 of the previous school year. The additional early childhood family education aid may be used only for early childhood family education programs.

Sec. 13. [EARLY CHILDHOOD FAMILY EDUCATION INFANT DEVELOPMENT GRANT AWARDS.]

(a) Early childhood family education programs under Minnesota Statutes, section 121.882, may apply to the commissioner of children, families, and learning for a grant to fund a pilot program to increase services for families of infants. Programming for infants and their families must conform to the service and other requirements of the early childhood family education programs. The infant program must include learning experiences for parents of infants that focus on methods and information that stimulate and nurture the intellectual and emotional development of infants. Proposals from programs with service areas where centralized classes are not feasible or optimal, may include home visiting programs under Minnesota Statutes, section 121.882, subdivision 2b.

(b) The eligible applicant shall submit an application in the form and manner prescribed by the

commissioner. Grant applicants shall describe the proposed infant and family education approach. The application must specify the program components, outreach methods, targeted ages, anticipated role of the home visits, if any, and how the program will encourage participation by families with infants.

Sec. 14. [OFFICE OF COMMUNITY SERVICES.]

The commissioner of children, families, and learning shall review the accounts and funding for programs administered in the office of community services. The commissioner shall also review the methods of distributing grants and revenue to communities, programs, districts, and other organizations. The commissioner shall develop unified application forms for competitive grant programs administered by the office. The commissioner shall present a proposal to the legislature on ways to streamline applications, and to the extent possible, combine accounts, programs, and funding streams.

Sec. 15. [YEAR 2000 READY.]

The commissioner of children, families, and learning shall ensure that any computer software or hardware that is purchased with money appropriated in this act must be year 2000 ready.

Sec. 16. [LINKED SERVICES; LITERACY; EDUCATION.]

The commissioner shall ensure that all early childhood, community support, prevention, and family service programs administered by the department of children, families, and learning that receive state aid or state appropriations or are eligible for grants through the department of children, families, and learning must:

- (1) develop methods to collaborate to encourage family literacy;
- (2) implement measures to link services with all programs that support families and early childhood development; and
- (3) ensure that education and educational development are a program goal.

Sec. 17. [REPORT SUNSET.]

Beginning September 15, 1997, the requirement to submit the following reports expires:

- (1) child abuse prevention trust fund disbursement plan under Minnesota Statutes, section 119A.13;
- (2) child care system report under Minnesota Statutes, section 119B.24;
- (3) community crime reduction report under Minnesota Statutes, section 119A.31;
- (4) administrative duties report under Minnesota Statutes, section 119A.31;
- (5) progress report on male responsibility grants under Minnesota Statutes, section 126.84;
- (6) school-linked services report under Minnesota Statutes, section 256.995;
- (7) state drug strategy under Minnesota Statutes, section 119A.26;
- (8) chemical abuse and violence prevention council report under Minnesota Statutes, section 119A.28;
- (9) violence prevention grant report under Minnesota Statutes, section 126.78; and
- (10) Head Start report under Minnesota Statutes, section 268.917.

Sec. 18. [APPROPRIATIONS.]

Subdivision 1. [DEPARTMENT OF CHILDREN, FAMILIES, AND LEARNING.] The sums

indicated in this section are appropriated from the general fund to the department of children, families, and learning for the fiscal years designated.

Subd. 2. [LEARNING READINESS PROGRAM REVENUE.] For revenue for learning readiness programs according to Minnesota Statutes, sections 121.831 and 124.2615:

<u>\$10,316,000</u>	<u>.....</u>	<u>1998</u>
<u>\$10,405,000</u>	<u>.....</u>	<u>1999</u>

The 1998 appropriation includes \$949,000 for 1997 and \$9,367,000 for 1998.

The 1999 appropriation includes \$1,040,000 for 1998 and \$9,365,000 for 1999.

\$10,000 each year may be spent for evaluation of learning readiness programs.

\$50,000 is for a grant to Itasca county for the Greenway Readiness Program. The program must include a half-day readiness program for four-year olds, an early childhood component, and a resource center.

\$30,000 is for a grant to independent school district No. 544, Fergus Falls, to study ways to combine all early learning programs and to fund those programs.

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

Subd. 3. [EARLY CHILDHOOD FAMILY EDUCATION AID.] For early childhood family education aid according to Minnesota Statutes, section 124.2711:

<u>\$15,618,000</u>	<u>.....</u>	<u>1998</u>
<u>\$14,104,000</u>	<u>.....</u>	<u>1999</u>

The 1998 appropriation includes \$1,361,000 for 1997 and \$14,257,000 for 1998.

The 1999 appropriation includes \$1,585,000 for 1998 and \$12,519,000 for 1999.

\$10,000 each year may be spent for evaluation of early childhood family education programs.

\$100,000 may be used for pilot technology grants to early childhood education programs to enhance the use of technology. Grants may be used to purchase, repair, or upgrade computer hardware or software, and for training in the use of technology. To the extent practicable, the department shall solicit donations of refurbished computers for distribution to early childhood education programs.

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

Subd. 4. [HEALTH AND DEVELOPMENTAL SCREENING AID.] For health and developmental screening aid according to Minnesota Statutes, sections 123.702 and 123.7045:

<u>\$1,550,000</u>	<u>.....</u>	<u>1998</u>
<u>\$1,550,000</u>	<u>.....</u>	<u>1999</u>

The 1998 appropriation includes \$155,000 for 1997 and \$1,395,000 for 1998.

The 1999 appropriation includes \$155,000 for 1998 and \$1,395,000 for 1999.

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

Subd. 5. [WAY TO GROW.] For grants for existing way to grow programs according to Minnesota Statutes, section 121.835:

<u>\$475,000</u>	<u>.....</u>	<u>1998</u>
<u>\$475,000</u>	<u>.....</u>	<u>1999</u>

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

Subd. 6. [PART H.] For the department of children, families, and learning's share of the state's obligation under Part H according to Minnesota Statutes, section 120.1701:

<u>\$400,000</u>	.....	<u>1998</u>
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Any balance in the first year does not cancel but is available in the second year.

Subd. 7. [EARLY CHILDHOOD FAMILY EDUCATION INFANT DEVELOPMENT GRANTS.] For grants to early childhood family education programs under Minnesota Statutes, section 121.882, to fund initiatives under section 13:

<u>\$2,000,000</u>	.....	<u>1998</u>
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Any balance in the first year does not cancel but is available in the second year. This is a one-time appropriation and is not to be added to the permanent base.

Of this amount, up to two percent each year may be used to administer the grant program.

Subd. 8. [HEAD START PROGRAM.] For Head Start programs according to Minnesota Statutes, section 268.914:

<u>\$18,750,000</u>	.....	<u>1998</u>
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<u>\$18,750,000</u>	.....	<u>1999</u>
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The commissioner may use up to two percent each year for state operations.

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

\$1,000,000 each year must be used for competitive grants to local Head Start agencies for full year programming for children ages 0 to 3. The programs must comply with applicable federal Head Start performance standards. Grantees may use state grant funds to provide services in addition to those allowed under federal Head Start regulations.

Up to \$250,000 is for a matching grant to Little Earth Residents Association for programming in the Neighborhood Early Learning Center.

Sec. 19. [REPEALER.]

Minnesota Statutes 1996, sections 119B.03, subdivision 7; 119B.05, subdivisions 2 and 3; 119B.11, subdivision 2; 119B.19, subdivision 2; 119B.21, subdivision 7; 121.8355, subdivision 1a; and 268.913, subdivision 5, are repealed.

Sec. 20. [EFFECTIVE DATE.]

Sections 1 and 2 apply to the 1997-1998 school year and thereafter.

Section 7 (124.2711, subdivision 2a) is effective for revenue for fiscal year 1999.

## ARTICLE 2

### COMMUNITY PROGRAMS AND PREVENTION

Section 1. Minnesota Statutes 1996, section 15.53, subdivision 2, is amended to read:

Subd. 2. [PERIOD OF ASSIGNMENT.] The period of individual assignment or detail under an interchange program shall not exceed 24 months, nor shall any person be assigned or detailed for more than 24 months during any 36-month period, except when the assignment or detail is made to coincide with an unclassified appointment under section 15.06. A school district, a county, or a public health entity may make an assignment for a period not to exceed five years if the assignment is made pursuant to section 121.8355, subdivision 6. Details relating to any matter covered in sections 15.51 to 15.57 may be the subject of an agreement between the sending and receiving agencies. Elected officials shall not be assigned from a sending agency nor detailed to a receiving agency.

Sec. 2. [119A.08] [NEIGHBORHOOD-BASED SERVICES FOR CHILDREN AND FAMILIES.]

Subdivision 1. [PILOT PROJECTS AUTHORIZED.] The commissioner may establish a pilot project for family services collaboratives to deliver and broker services through neighborhood-based community organizations.

Subd. 2. [FAMILY SERVICE COLLABORATIVE; PILOT.] (a) A family services collaborative under section 121.8355 may apply to the commissioner to participate in the pilot project in specified geographic areas. The selected collaborative must implement the program through family service centers and eligible community groups that have strong ties to a local neighborhood and represent the diversity of residents and that have a history of providing services in the neighborhood.

(b) An eligible organization must submit an application to the sponsoring family services collaborative with a description of areas to be served, a neighborhood presence, the needs of the area, the services to be provided with associated costs and resources, the intended outcomes, and the proposed methods of delivering service through volunteers, including any reimbursement or incentive not to exceed \$200 for any service. Proposed services and amounts must be listed in an outcomes-based format.

Subd. 3. [ELIGIBLE ACTIVITIES.] A participating center or group may deliver, or arrange for the delivery of, needed services listed in the application including assisting family members to achieve the GED requirements; assisting with English as a second language or citizenship classes and tests; assisting with access to early childhood programs, childhood immunizations, suitable child care, and home visits; and assisting in crime prevention through after-school enrichment activities, truancy prevention, and tutoring for academically under-achieving children.

A collaborative that receives a grant under this section shall establish procedures to ensure the quality of the services paid for with grant funds and to monitor the delivery of services.

Sec. 3. Minnesota Statutes 1996, section 119A.13, subdivision 2, is amended to read:

Subd. 2. [ADVISORY COUNCIL.] An advisory council of 19 17 members is established under section 15.059. The commissioners of human services, ~~public safety,~~ health, and children, families, and learning, ~~and corrections~~ shall each appoint one member. The subcommittee on committees of the senate and the speaker of the house of representatives shall each appoint two members of their respective bodies, one from each caucus. The governor shall appoint an additional ten members who shall demonstrate knowledge in the area of child abuse prevention and shall represent the demographic and geographic composition of the state, and to the extent possible, represent the following groups: local government, parents, racial and ethnic minority communities, the religious community, professional providers of child abuse prevention and treatment services, and volunteers in child abuse prevention and treatment services. The council shall advise and assist the commissioner in carrying out sections 119A.10 to 119A.16. The council does not expire as provided by section 15.059, subdivision 5.

Sec. 4. Minnesota Statutes 1996, section 119A.13, subdivision 3, is amended to read:

Subd. 3. [PLAN FOR DISBURSEMENT OF FUNDS.] By June 1, 1987, the commissioner, assisted by the advisory council, shall develop a plan to disburse money from the trust fund. In developing the plan, the commissioner shall review prevention programs. The plan must ensure that all geographic areas of the state have an equal opportunity to establish prevention programs and receive trust fund money. ~~Biennially thereafter the commissioner shall send the plan to the legislature and the governor by January 1 of each odd-numbered year.~~

Sec. 5. Minnesota Statutes 1996, section 119A.13, subdivision 4, is amended to read:

Subd. 4. [RESPONSIBILITIES OF THE COMMISSIONER.] (a) The commissioner shall:

(1) provide for the coordination and exchange of information on the establishment and maintenance of prevention programs;



- (2) develop and publish criteria for receiving trust fund money by prevention programs;
- (3) review, approve, and monitor the spending of trust fund money by prevention programs;
- (4) provide statewide educational and public informational seminars to develop public awareness on preventing child abuse; to encourage professional persons and groups to recognize instances of child abuse and work to prevent them; to make information on child abuse prevention available to the public and to organizations and agencies; and to encourage the development of prevention programs;
- (5) establish a procedure for an annual, internal evaluation of the functions, responsibilities, and performance of the commissioner in carrying out Laws 1986, chapter 423. ~~In a year in which the state plan is prepared, the evaluation must be coordinated with the preparation of the state plan;~~
- (6) provide technical assistance to local councils and agencies working in the area of child abuse prevention; and
- (7) accept and review grant applications beginning June 1, 1987.

(b) The commissioner shall recommend to the governor and the legislature changes in state programs, statutes, policies, budgets, and standards that will reduce the problems of child abuse, improve coordination among state agencies that provide prevention services, and improve the condition of children, parents, or guardians in need of prevention program services.

Sec. 6. Minnesota Statutes 1996, section 119A.14, is amended to read:

119A.14 [LOCAL CHILD ABUSE PREVENTION COUNCILS.]

Subdivision 1. [ESTABLISHMENT OF COUNCIL.] A child abuse prevention council may be established in any county or group of counties that was eligible to receive funds under Minnesota Statutes 1986, section 145.917 as of January 1, 1986. A council organized in such a county or group of counties shall be authorized by the commissioner to review programs seeking trust fund money on finding that the council meets the criteria in this subdivision:

(a) The council has submitted a plan for the prevention of child abuse that includes a survey rank ordering of needed programs and services, assesses the need for additional programs or services, and demonstrates that standards and procedures have been established to ensure that funds will be distributed and used according to Laws 1986, chapter 423.

(b) A single-county council shall consist of:

(1) ~~members of a multidisciplinary child protection team which must be established under section 626.558~~ a minimum of nine members with the majority consisting of members from the community-at-large who do not represent service-providing agencies. These members shall represent the demographic and geographic composition of the county and, to the extent possible, represent the following groups: parents, businesses, racial and ethnic minority communities, and the faith communities; and

(2) if necessary, enough additional members ~~appointed by the county~~ with knowledge in the area of child abuse prevention so that a majority of the council is composed of members who do not represent public agencies.

(c) A multicounty council shall be ~~selected by~~ composed of the combined membership of those multidisciplinary teams ~~which have been established in the counties under section 626.558 and shall consist of:~~ persons in paragraph (b).

(1) ~~one representative each from local human services agencies, county attorney offices, county sheriff offices, and health and education agencies, chosen from among the membership of all the teams;~~

(2) ~~one representative from any other public agency group represented among the combined teams; and~~

~~(3) enough additional members from the public who have knowledge in the area of child abuse so that a majority of the council is composed of members who do not represent public agencies.~~

~~(d) In any multicounty group eligible to establish a council under this subdivision, at least 50 percent of the counties must have established a multidisciplinary team under section 626.558 before a council may be established.~~

Subd. 2. [REVIEW BY COUNCIL.] To be eligible to receive a grant from the trust fund, an applicant must have had its ~~program application~~ reviewed by a child abuse prevention council from the applicant's geographic area found by the commissioner to meet the criteria in this section. In reviewing all ~~such programs applications~~, the council shall consider the extent to which the applicant meets the criteria and standards in Laws 1986, chapter 423, and the degree to which the program meets the needs of the geographic area. The council shall provide to the advisory council its comments and recommendations concerning each ~~program application~~ reviewed and shall provide the advisory council with its prioritization by rank ordering of all ~~programs applications~~ reviewed.

Sec. 7. Minnesota Statutes 1996, section 119A.15, subdivision 2, is amended to read:

Subd. 2. [MATCHING AND OTHER REQUIREMENTS.] Trust fund money shall only be distributed to applicants that demonstrate an ability to match at least 40 percent of the amount of trust fund money requested and whose proposals meet the other criteria. The matching requirement may be met through in-kind donations. In awarding grants, the commissioner shall consider the extent to which the applicant has demonstrated a willingness and ability to:

(1) continue the prevention program or service if trust fund money is eliminated or reduced; and

(2) provide prevention program models and consultation to other organizations and communities.

Sec. 8. Minnesota Statutes 1996, section 119A.15, subdivision 5, is amended to read:

Subd. 5. [LOCAL COUNCIL AS RECIPIENT OF FUNDS.] The commissioner may disburse funds to a local council ~~on the same basis as to any other applicant for community education purposes, or as for administrative costs in carrying out Laws 1986, chapter 423, if all criteria and standards are met. Funds disbursed as administrative costs to a local council must not exceed five percent of total funds disbursed to the area served by the local council.~~

Sec. 9. Minnesota Statutes 1996, section 119A.16, is amended to read:

119A.16 [ACCEPTANCE OF FEDERAL FUNDS AND OTHER DONATIONS.]

The commissioner may accept federal money and gifts, donations, and bequests for the purposes of Laws 1986, chapter 423. Money so received and proceeds from the sale of promotional items, minus sales promotional costs, must be deposited in the trust fund and must be made available ~~annually~~ to the commissioner.

Sec. 10. Minnesota Statutes 1996, section 119A.31, subdivision 1, is amended to read:

Subdivision 1. [PROGRAMS.] The commissioner shall, in consultation with the chemical abuse and violence prevention council, administer a grant program to fund community-based programs that are designed to enhance the community's sense of personal security and to assist the community in its crime control and prevention efforts. Examples of qualifying programs include, but are not limited to, the following:

(1) community-based programs designed to provide services for children aged 8 to 13 who are juvenile offenders or who are at risk of becoming juvenile offenders. The programs must give priority to:

(i) juvenile restitution;

- (ii) prearrest or pretrial diversion, including through mediation;
  - (iii) probation innovation;
  - (iv) teen courts, community service; or
  - (v) post incarceration alternatives to assist youth in returning to their communities;
- (2) community-based programs designed to provide at-risk children and youth aged 8 to 13 with after-school and summer enrichment activities;
- (3) community-based programs designed to discourage young people from involvement in unlawful drug or street gang activities such as neighborhood youth centers;
- (4) neighborhood block clubs and innovative community-based crime prevention programs;
- (5) community- and school-based programs designed to enrich the educational, cultural, or recreational opportunities of at-risk children and youth, including programs designed to keep at-risk youth from dropping out of school and encourage school dropouts to return to school;
- (6) community-based programs designed to intervene with juvenile offenders who are identified as likely to engage in repeated criminal activity in the future unless intervention is undertaken;
- (7) community-based collaboratives that coordinate multiple programs and funding sources to address the needs of at-risk children and youth, including, but not limited to, collaboratives that address the continuum of services for juvenile offenders and those who are at risk of becoming juvenile offenders;
- (8) programs that are proven successful at increasing the rate of school success or the rate of post-secondary education attendance for high-risk students;
- (9) community-based programs that provide services to homeless youth;
- (10) programs designed to reduce truancy; and
- (11) other community- and school-based crime prevention programs that are innovative and encourage substantial involvement by members of the community served by the program;
- (12) community-based programs that attempt to prevent and ameliorate the effects of teenage prostitution;
- (13) programs for mentoring at-risk youth, including youth at risk of gang involvement; and
- (14) programs operated by community violence prevention councils.

Sec. 11. Minnesota Statutes 1996, section 121.11, is amended by adding a subdivision to read:

Subd. 7e. [GENERAL EDUCATION DEVELOPMENT TESTS RULES.] The state board may amend rules to reflect changes in the national minimum standard score for passing the General Education Development (GED) tests.

Sec. 12. Minnesota Statutes 1996, section 121.88, subdivision 1, is amended to read:

Subdivision 1. [AUTHORIZATION.] Each school board may initiate a community education program in its district and provide for the general supervision of the program. Each board may, as it considers appropriate, employ community education ~~directors and coordinators~~ staff to further the purposes of the community education program.

Sec. 13. Minnesota Statutes 1996, section 121.88, is amended by adding a subdivision to read:

Subd. 2a. [COMMUNITY EDUCATION DIRECTOR.] (a) Except as provided under paragraphs (b) and (c), each board shall employ a licensed community education director. The

board shall submit the name of the person who is serving as director of community education under this section on the district's annual community education report to the commissioner.

(b) A board may apply to the commissioner under Minnesota Rules, part 3512.3500, subpart 9, for authority to use an individual who is not licensed as a community education director.

(c) A board of a district with a total population of 2,000 or less may identify an employee who holds a valid Minnesota principal or superintendent license under Minnesota Rules, chapter 3512, to serve as director of community education. To be eligible for an exception under this paragraph, the board shall certify in writing to the commissioner that the district has not placed a licensed director of community education on unrequested leave.

Sec. 14. Minnesota Statutes 1996, section 121.88, subdivision 10, is amended to read:

Subd. 10. [EXTENDED DAY PROGRAMS.] (a) A school board may offer, as part of a community education program, an extended day program for children from kindergarten through grade 6 for the purpose of expanding students' learning opportunities. A program must include the following:

- (1) adult supervised programs while school is not in session;
- (2) parental involvement in program design and direction;
- (3) partnerships with the K-12 system, and other public, private, or nonprofit entities; and
- (4) opportunities for trained secondary school pupils to work with younger children in a supervised setting as part of a community service program.

(b) The district may charge a sliding fee based upon family income for extended day programs. The district may receive money from other public or private sources for the extended day program. The school board of the district shall develop standards for school age child care programs. Districts with programs in operation before July 1, 1990, must adopt standards before October 1, 1991. All other districts must adopt standards within one year after the district first offers services under a program authorized by this subdivision. The state board of education may not adopt rules for extended day programs.

(c) The district shall maintain a separate account within the community services fund for all funds related to the extended day program.

Sec. 15. Minnesota Statutes 1996, section 124.17, subdivision 2e, is amended to read:

Subd. 2e. [AVERAGE DAILY MEMBERSHIP, PUPILS AGE 21 OR OVER.] The average daily membership for pupils age 21 or over; is equal to the ratio of the number of yearly hours that the pupil is in membership to the number of instructional hours in the district's regular school year. A pupil enrolled in the graduation incentives program under section 126.22, subdivision 2, paragraph (b), for more than the number of instructional hours in the district's regular school year may be counted as more than one pupil in average daily membership.

Sec. 16. Minnesota Statutes 1996, section 124.26, subdivision 2, is amended to read:

Subd. 2. [ACCOUNTS; REVENUE; AID.] Each district, group of districts, or private nonprofit organization providing adult basic education programs shall establish and maintain accounts separate from all other district accounts for the receipt and disbursement of all funds related to these programs. All revenue received pursuant to this section shall be utilized solely for the purposes of adult basic education programs. In no case shall federal and state aid plus levy equal more than 100 percent of the actual cost of providing these programs.

Sec. 17. Minnesota Statutes 1996, section 124.2601, subdivision 3, is amended to read:

Subd. 3. [AID REVENUE.] Adult basic education aid revenue for each approved program equals 65 percent of the general education formula allowance times the number of full-time equivalent students in its adult basic education program.

Sec. 18. Minnesota Statutes 1996, section 124.2601, subdivision 4, is amended to read:

Subd. 4. [LEVY.] To obtain adult basic education revenue, a district with an eligible program may levy an amount not to exceed the amount raised by .12 percent times the adjusted tax capacity of the district for the preceding year.

Sec. 19. Minnesota Statutes 1996, section 124.2601, subdivision 5, is amended to read:

Subd. 5. [REVENUE AID.] Adult basic education revenue aid is equal to the sum of difference between an approved program's adult basic education aid revenue and its adult basic education levy. If the district does not levy the full amount permitted, the adult education aid must be reduced in proportion to the actual amount levied.

Sec. 20. Minnesota Statutes 1996, section 124.2601, subdivision 6, is amended to read:

Subd. 6. [AID GUARANTEE.] (a) For fiscal year 1994, any adult basic education program that receives less state aid under subdivisions 3 and 7 than from the aid formula for fiscal year 1992 shall receive the amount of aid it received in fiscal year 1992.

(b) For 1995 ~~and later~~, 1996, and 1997 fiscal years, an adult basic education program that receives aid shall receive at least the amount of aid it received in fiscal year 1992 under subdivisions 3 and 7, plus aid equal to the amount of revenue that would have been raised for taxes payable in 1994 under Minnesota Statutes 1992, section 124.2601, subdivision 4, minus the amount raised under subdivision 4.

(c) For fiscal year 1998, any adult basic education program that receives less state aid than in fiscal year 1997 shall receive additional aid equal to 80 percent of the difference between its 1997 aid and the amount of aid under subdivision 5. For fiscal year 1999 and later, additional aid under this paragraph must be reduced by 20 percent each year.

Sec. 21. Minnesota Statutes 1996, section 124.261, subdivision 1, is amended to read:

Subdivision 1. [AID ELIGIBILITY.] ~~For fiscal year years 1996 1998 and later, adult high school graduation aid for eligible pupils age 21 or over, equals 65 percent of the general education formula allowance times 1.30 times the average daily membership under section 124.17, subdivision 2e. For 1997 and later fiscal years, adult high school graduation aid per eligible pupil equals the amount established by the commissioner of children, families, and learning, in consultation with the commissioner of finance, based on the appropriation for this program. Adult high school graduation aid must be paid in addition to any other aid to the district. Pupils age 21 or over may not be counted by the district for any purpose other than adult high school graduation aid.~~

Sec. 22. Minnesota Statutes 1996, section 124.2713, subdivision 6, is amended to read:

Subd. 6. [COMMUNITY EDUCATION LEVY.] ~~To obtain community education revenue, a district may levy the amount raised by a tax rate of 4.4~~ 1.09 percent times the adjusted net tax capacity of the district. If the amount of the community education levy would exceed the community education revenue, the community education levy shall be determined according to subdivision 6a.

Sec. 23. Minnesota Statutes 1996, section 124.2713, subdivision 8, is amended to read:

Subd. 8. [USES OF GENERAL REVENUE.] (a) General community education revenue may be used for:

- (1) nonvocational, recreational, and leisure time activities and programs;
- (2) programs for adults with disabilities, if the programs and budgets are approved by the department of children, families, and learning;
- (3) adult basic education programs, according to section 124.26;

- (4) summer programs for elementary and secondary pupils;
- (5) implementation of a youth development plan;
- (6) implementation of a youth service program;
- (7) early childhood family education programs, according to section 121.882; and
- (8) extended day programs, according to section 121.88, subdivision 10.

(9) In addition to money from other sources, a district may use up to ten percent of its community education revenue for equipment that is used exclusively in community education programs. This revenue may be used only for the following purposes:

- (i) to purchase or lease computers and related materials;
- (ii) to purchase or lease equipment for instructional programs; and
- (iii) to purchase textbooks and library books.

(b) General community education revenue must not be used to subsidize the direct activity costs for adult enrichment programs. Direct activity costs include, but are not limited to, the cost of the activity leader or instructor, cost of materials, or transportation costs.

Sec. 24. Minnesota Statutes 1996, section 124.2716, subdivision 3, is amended to read:

Subd. 3. [EXTENDED DAY LEVY.] To obtain extended day revenue, a school district may levy an amount equal to the district's extended day revenue as defined in subdivision 2 multiplied by the lesser of one, or the ratio of the quotient derived by dividing the adjusted net tax capacity of the district for the year before the year the levy is certified by the actual pupil units in the district for the school year to which the levy is attributable, to ~~\$3,700~~ \$3,767.

Sec. 25. Minnesota Statutes 1996, section 268.53, subdivision 5, is amended to read:

Subd. 5. [FUNCTIONS; POWERS.] A community action agency shall:

(a) Plan systematically for an effective community action program; develop information as to the problems and causes of poverty in the community; determine how much and how effectively assistance is being provided to deal with those problems and causes; and establish priorities among projects, activities and areas as needed for the best and most efficient use of resources;

(b) Encourage agencies engaged in activities related to the community action program to plan for, secure, and administer assistance available under section 268.52 or from other sources on a common or cooperative basis; provide planning or technical assistance to those agencies; and generally, in cooperation with community agencies and officials, undertake actions to improve existing efforts to reduce poverty, such as improving day-to-day communications, closing service gaps, focusing resources on the most needy, and providing additional opportunities to low-income individuals for regular employment or participation in the programs or activities for which those community agencies and officials are responsible;

(c) Initiate and sponsor projects responsive to needs of the poor which are not otherwise being met, with particular emphasis on providing central or common services that can be drawn upon by a variety of related programs, developing new approaches or new types of services that can be incorporated into other programs, and filling gaps pending the expansion or modification of those programs;

(d) Establish effective procedures by which the poor and area residents concerned will be enabled to influence the character of programs affecting their interests, provide for their regular participation in the implementation of those programs, and provide technical and other support needed to enable the poor and neighborhood groups to secure on their own behalf available assistance from public and private sources;

(e) Join with and encourage business, labor and other private groups and organizations to undertake, together with public officials and agencies, activities in support of the community action program which will result in the additional use of private resources and capabilities, with a view to developing new employment opportunities, stimulating investment that will have a measurable impact on reducing poverty among residents of areas of concentrated poverty, and providing methods by which residents of those areas can work with private groups, firms, and institutions in seeking solutions to problems of common concern.

Community action agencies, the Minnesota migrant council, and the Indian reservations, may enter into cooperative purchasing agreements and self-insurance programs with local units of government. Nothing in this section expands or limits the current private or public nature of a local community action agency.

(f) Adopt policies that require the agencies to refer area residents and community action program constituents to education programs that increase literacy, improve parenting skills, and address the needs of children from families in poverty. These programs include, but are not limited to, early childhood family education programs, adult basic education programs, and other life-long learning opportunities. The agencies and agency programs, including Head Start, shall collaborate with child care and other early childhood education programs to ensure smooth transitions to work for parents.

Sec. 26. Minnesota Statutes 1996, section 517.08, subdivision 1c, is amended to read:

Subd. 1c. [DISPOSITION OF LICENSE FEE.] Of the marriage license fee collected pursuant to subdivision 1b, the court administrator shall pay \$55 to the state treasurer to be deposited as follows:

(1) \$50 in the general fund;

(2) \$3 in the special revenue fund to be appropriated to the commissioner of ~~human services~~ children, families, and learning for supervised visitation facilities under section 256F.09; and

(3) \$2 in the special revenue fund to be appropriated to the commissioner of health for developing and implementing the MN ENABL program under section 145.9255.

Sec. 27. Laws 1996, chapter 463, section 4, subdivision 2, as amended by Laws 1997, chapter 3, section 1, is amended to read:

Subd. 2. Youth Initiative Grants

16,000,000

For grants to local government units to design, furnish, equip, ~~acquire, demolish,~~ repair, replace, or construct parks ~~and~~ recreation buildings and school buildings to provide youth, with preference for youth in grades four through eight, with regular enrichment activities during nonschool hours, including after school, evenings, weekends, and school vacation periods, and that will provide equal access and programming for girls. The buildings may be leased to nonprofit community organizations, subject to Minnesota Statutes, section 16A.695, for the same purposes. Enrichment programs include academic enrichment, homework assistance, computer and technology use, arts and cultural activities, clubs, school-to-work and work force development, athletic, and recreational activities. Grants must be used to expand the number of children participating in

enrichment programs or improve the quality or range of program offerings. The facilities must be fully available for programming sponsored by youth-serving nonprofit and community groups, or school, county, or city programs, for maximum hours after school, evenings, weekends, summers, and other school vacation periods. Priority must be given to proposals that demonstrate collaboration among private, nonprofit, and public agencies, including regional entities dealing with at-risk youth, and community and parent organizations in arranging for programming, staffing, transportation, and equipment. All proposals must include an inventory of existing facilities and an assessment of programming needs in the community.

(a) Enrichment grants within the city of Minneapolis

5,000,000

Of this amount, at least \$2,500,000 must be used in the neighborhoods of the Near North, Hawthorne, Sumner- Glenwood-Harrison, Powderhorn, Central, Whittier, and Phillips.

(b) Enrichment grants within the city of St. Paul

5,000,000

Of this amount, at least \$2,500,000 must be used in the neighborhoods of Summit-University, Thomas-Dale, North End, Payne-Phalen, Daytons Bluff, and the West Side.

The remaining \$2,500,000 is available citywide, with priority for some of the remaining amount given to proposals by public/private partnerships currently offering after-school enrichment programs in low-income areas in conjunction with a neighborhood-based organization. Up to \$100,000 of the remaining \$2,500,000 may be used to develop urban sports facilities for at-risk inner city youth, including those older than eighth grade.

(c) Enrichment grants outside of the cities of Minneapolis and St. Paul

6,000,000

Priority must be given to school attendance areas with high concentrations of children eligible for free or reduced school lunch and to government units demonstrating a commitment to collaborative youth efforts.

\$500,000 is to the city of Bloomington for after school enrichment activities in the northeast Bloomington study area.

The commissioner of children, families, and



learning must make a grant of at least \$1,000,000 to a school district that is a part of a collaborative effort that has at least two other school districts, is multicultural and multijurisdictional, and has previously received a facility planning grant for collaborative purposes.

(d) Each grant must be matched by \$1 from local sources for each \$2 of state money. In-kind contributions of facilities may be used for the local match. The value of in-kind contributions must be determined by the commissioner of finance.

(e) Preference must be given to projects for which at least ten percent of the youth initiative grant is expended using youthbuild under Minnesota Statutes, sections 268.361 to 268.367, or other youth employment and training programs, for the labor portion of the construction. Eligible programs must consult with appropriate labor organizations to deliver education and training.

Sec. 28. [MINNESOTA ADOLESCENT PARENTING GRANT PROGRAM.]

Subdivision 1. [ESTABLISHMENT.] A grant program is established to provide school-based, comprehensive, community-linked programs for ensuring the long-term self-sufficiency of adolescent families and the development and school readiness of their children.

Subd. 2. [DEFINITION.] For purposes of this section, "pregnancy prevention" means preventing pregnancies from occurring and does not include abortion services.

Subd. 3. [GOALS.] The goals of the adolescent parenting grant programs are to:

(1) assist pregnant and parenting adolescents to make significant gains in school attendance, attainment of state graduation standards, and acquisition of school-to-career skills;

(2) prevent child abuse and neglect by improving the parenting and communication skills of pregnant and parenting adolescents;

(3) reduce long-term welfare dependency among adolescent parents; and

(4) improve the outcomes for adolescent parents and their children in the number of healthy births; pregnancy prevention; cognitive, social, linguistic, and emotional development; immunization rates; access to primary health care; and school readiness.

Subd. 4. [ELIGIBLE STUDENTS.] The following students are eligible for support services under the adolescent parenting grant program:

(1) a student enrolled in a school district with an approved adolescent parenting program who is age 21 or younger and who is an expectant parent, custodial parent, or noncustodial parent; and

(2) a child of a student covered by clause (1) who is under the age of five and is not yet enrolled in kindergarten.

Subd. 5. [GRANT APPLICATION.] A school district, group of school districts, alternative learning programs approved by the commissioner, or family service collaboratives may apply for an adolescent parenting program grant to the commissioner of children, families, and learning. The application must include a detailed description of the program, including a description of the

population to be served by the program, a description of the community agency or agencies collaborating with the site to provide support services, an explanation of how each of the program components will contribute to achieving program outcomes, the number of pupils to be served by the pilot program, a detailed budget that demonstrates the capacity to achieve the program's goals, and a comprehensive evaluation plan for measuring progress toward achieving the program's goals.

Subd. 6. [PROGRAM COMPONENTS.] An adolescent parenting program must include:

(1) a high quality educational program provided in the least restrictive environment that includes strategies to ensure access to educational services, including flexible attendance policies and class scheduling, and grants academic credit for all work completed;

(2) to the extent possible, collaboration with other governmental agencies and community-based organizations to provide on-site support services, including child care;

(3) an individualized learning plan for each eligible student that includes career goals;

(4) assurance of compliance with requirements of Public Law Number 92-318, title IX, prohibiting discrimination against students due to their pregnant or parenting status;

(5) courses in parent education and life skills;

(6) accountability measures for student performance linked to graduation standards;

(7) professional development opportunities on adolescent pregnancy and parenting issues and strategies to achieve academic success with this student population;

(8) a system to document that adolescent parenting and prevention support funds were used to provide support services to eligible students;

(9) a comprehensive assessment of the district's adolescent pregnancy prevention programs and recommendations for improvements;

(10) a system for collecting and reporting specific student data, including goals and outcome measurements; and

(11) a program advisory council, which may consist of an existing local council.

Subd. 7. [PROGRAM EVALUATION AND TESTIMONY.] The commissioner of children, families, and learning shall conduct an evaluation of the adolescent parenting program after one year of implementation. The commissioner shall evaluate the program's impact on school attendance, academic achievement, graduation rates, parenting skills, health, and other outcomes that may be identified by the commissioner. The commissioner shall provide testimony on the evaluation results to the children, families, and learning committees of the legislature by January 15, 1999.

Sec. 29. [CITIZENSHIP PROMOTION PROGRAM.]

Subdivision 1. [ESTABLISHMENT.] A statewide citizenship promotion program is established to assist legal immigrants eligible to apply for United States citizenship. The program must consist of workshops designed to assist with citizenship application procedures, citizenship and English for citizenship classes, video citizenship instruction, and public education and information.

Subd. 2. [GRANTS APPLICATION.] The commissioner of children, families, and learning shall award grants to public or nonprofit organizations to operate the citizenship promotion program. Grants targeted for ethnic and geographic groups of immigrants must be approximately proportional to the number of immigrants eligible to apply for naturalization in the group and the level of program activities necessary to assist a particular group to attain citizenship. The organizations may include community-based ethnic or religious groups, school districts, post-secondary institutions, community action agencies, family service collaboratives, workforce development centers, and advocacy groups.

(a) To be eligible to receive a grant, an organization must:

(1) have documented experience in programs specifically designed for immigrant and refugee populations;

(2) provide access to legal counseling;

(3) provide bilingual teaching for preliterate, vulnerable populations and for those eligible for waiver of the English requirements;

(4) have facilities accessible to physically handicapped learners;

(5) ensure that no more than five percent of grant funds will be used for administration; and

(6) have a system for fiscal accounting and reporting.

(b) Grant applications must include:

(1) demonstrated organizational experience in English or citizenship instruction;

(2) population target goals for attaining citizenship;

(3) proposed class sizes and schedules;

(4) outreach and recruitment plans; and

(5) staff expertise description and training plans.

(c) Grants to operate application procedure workshops and to expand citizenship and English for citizenship classes must be awarded by September 15, 1997, with initial funding to target services to legal immigrants who have lost eligibility for federal SSI and Food Stamp programs.

Subd. 3. [PROGRAM COMPONENTS.] The citizenship promotion program must include:

(1) a public education program that prepares and distributes information about citizenship eligibility requirements, application procedures, test requirements, and opportunities for assistance;

(2) workshops to assist applicants for naturalization with the application process. Applications must be screened for completeness and legal advice must be available to applicants before applications are submitted to the United States Immigration and Naturalization Service. Participants in workshops must be screened for English proficiency and, upon request, enrolled in appropriate classes to prepare for the examination;

(3) support for existing classes for citizenship and English for citizenship and identification of new providers in underserved areas of the state. Classes must be supported and offered in native languages for those able to take the citizenship test in their native language. Within the limits of available funding, transportation, child care, and interpreter services must be provided; and

(4) a video instruction series to provide citizenship education throughout the state.

Subd. 4. [ADVISORY TASK FORCE.] The commissioner may create an advisory task force under section 15.014 to advise the commissioner on the citizenship promotion program. Members of the advisory task force must not participate in grant discussions in which they have a proposal for funding.

Subd. 5. [TESTIMONY.] The commissioner shall present testimony by February 1, 1998, to the family and early childhood education budget division in the senate and the family and early childhood education finance division in the house of representatives that summarizes the program activities, outcomes, and recommendations regarding the need for continuation.

Sec. 30. [COOPERATIVE ENGLISH AS A SECOND LANGUAGE AND ADULT BASIC EDUCATION PROGRAMS.]

Subdivision 1. [NONPROFIT, COMMUNITY-BASED ORGANIZATIONS.] Any school district, or adult basic education consortium that receives revenue under Minnesota Statutes, section 124.2601, must collaborate with community-based organizations and nonprofit organizations within its district or region that have demonstrated the capacity to deliver English as a second language or citizenship programming. The district or consortium must consider an organization to have demonstrated the capacity to deliver programming if the organization has past experience or meets the criteria in subdivision 2. No more than eight percent of the total funds provided by a school district or an adult basic education consortium to a nonprofit or community-based organization under this section, may be used for the administrative costs of providing English as a second language, adult basic education, or citizenship programs.

Subd. 2. [ELIGIBILITY CRITERIA.] A community-based organization or nonprofit organization without past experience providing adult basic education services under Minnesota Statutes, section 124.2601, must demonstrate that it has met the following criteria:

- (1) be legally established as a nonprofit organization;
- (2) have facilities that are accessible to all learners;
- (3) have an established system for fiscal accounting and reporting that is consistent with the department of children, families, and learning's ABE completion report;
- (4) employ a licensed teacher; and
- (5) require all instructional staff to complete the Minnesota Literacy Council's 12-hour training session.

Sec. 31. [APPROPRIATIONS.]

Subdivision 1. [DEPARTMENT OF CHILDREN, FAMILIES, AND LEARNING.] The sums indicated in this section are appropriated from the general fund to the department of children, families, and learning for the fiscal years designated.

Subd. 2. [FAMILY COLLABORATIVES.] For family collaboratives according to Laws 1995, First Special Session chapter 3, article 4, section 29, subdivision 10:

<u>\$7,500,000</u>	<u>.....</u>	<u>1998</u>
<u>\$7,000,000</u>	<u>.....</u>	<u>1999</u>

Of the appropriation, \$150,000 each year is for grants targeted to assist in providing collaborative children's library service programs. To be eligible, a family collaborative grant recipient must collaborate with at least one public library and one children's or family organization. The public library must involve the regional public library system and multitype library system to which it belongs in the planning and provide for an evaluation of the program.

Of the amount for the family services collaborative in St. Paul, \$50,000 may be used for a grant for neighborhood-based services under section 2.

No more than 2.5 percent of the appropriation is available to the state to administer and evaluate the grant program.

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

Subd. 3. [COMMUNITY EDUCATION AID.] For community education aid according to Minnesota Statutes, section 124.2713:

<u>\$1,828,000</u>	<u>.....</u>	<u>1998</u>
<u>\$1,619,000</u>	<u>.....</u>	<u>1999</u>

The 1998 appropriation includes \$236,000 for 1997 and \$1,592,000 for 1998.

The 1999 appropriation includes \$175,000 for 1998 and \$1,444,000 for 1999.

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

Subd. 4. [ADULTS WITH DISABILITIES PROGRAM AID.] For adults with disabilities programs according to Minnesota Statutes, section 124.2715:

<u>\$710,000</u>	<u>.....</u>	<u>1998</u>
<u>\$710,000</u>	<u>.....</u>	<u>1999</u>

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

Of this amount, \$40,000 each year may be used for pilot programs in regions of the state that don't currently have programs for adults with disabilities. These programs may not levy for fiscal year 1999 or later. This is a one-time appropriation and is not added to the base.

Subd. 5. [HEARING-IMPAIRED ADULTS.] For programs for hearing-impaired adults according to Minnesota Statutes, section 121.201:

<u>\$70,000</u>	<u>.....</u>	<u>1998</u>
<u>\$70,000</u>	<u>.....</u>	<u>1999</u>

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

Subd. 6. [VIOLENCE PREVENTION EDUCATION GRANTS.] For violence prevention education grants according to Minnesota Statutes, section 126.78:

<u>\$1,500,000</u>	<u>.....</u>	<u>1998</u>
<u>\$1,500,000</u>	<u>.....</u>	<u>1999</u>

Of the amount each year, \$50,000 is for program administration.

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

Subd. 7. [MALE RESPONSIBILITY.] For male responsibility grants:

<u>\$250,000</u>	<u>.....</u>	<u>1998</u>
<u>\$250,000</u>	<u>.....</u>	<u>1999</u>

The commissioner of children, families, and learning may enter into cooperative agreements with the commissioner of human services to access federal money for child support and paternity education programs.

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

Subd. 8. [ABUSED CHILDREN.] For abused children programs according to Minnesota Statutes, section 119A.21:

<u>\$1,048,000</u>	<u>.....</u>	<u>1998</u>
<u>\$1,079,000</u>	<u>.....</u>	<u>1999</u>

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

Subd. 9. [DRUG POLICY AND VIOLENCE PREVENTION PROGRAMS.] For drug policy, violence prevention, and family visitation programs:

<u>\$3,000,000</u>	<u>.....</u>	<u>1998</u>
<u>\$3,000,000</u>	<u>.....</u>	<u>1999</u>

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

Up to \$400,000 each year is for grants for mentoring at-risk youth. Of the fiscal year 1998 appropriation, up to \$138,000 and of the fiscal year 1999 appropriation up to \$100,000 is for grants under Laws 1995, chapter 226, article 3, section 62.

Up to \$75,000 each year is for grants to community-based violence prevention councils.

Subd. 10. [CHILDREN'S TRUST FUND.] For children's trust fund according to Minnesota Statutes, sections 119A.12 and 119A.13:

<u>\$247,000</u>	<u>.....</u>	<u>1998</u>
<u>\$247,000</u>	<u>.....</u>	<u>1999</u>

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

Subd. 11. [AFTER SCHOOL ENRICHMENT GRANTS.] For after school enrichment grants according to Laws 1996, chapter 412, article 4, section 30:

<u>\$4,907,000</u>	<u>.....</u>	<u>1998</u>
<u>\$4,907,000</u>	<u>.....</u>	<u>1999</u>

The commissioner may use up to three percent of this appropriation to provide technical assistance to community organizations.

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

For fiscal year 1998, the commissioner may award grantees one additional year of funding up to the grant award in fiscal year 1997. For fiscal year 1999 and beyond, the appropriation must be used to award grants on a competitive basis.

Subd. 12. [ALCOHOL-IMPAIRED DRIVER.] (a) For grants with funds received under Minnesota Statutes, section 171.29, subdivision 2, paragraph (b), clause (4):

<u>\$200,000</u>	<u>.....</u>	<u>1998</u>
<u>\$200,000</u>	<u>.....</u>	<u>1999</u>

(b) These appropriations are from the alcohol-impaired driver account of the special revenue fund to the department of children, families, and learning for chemical abuse prevention grants.

(c) Up to \$200,000 each year may be used for chemical abuse prevention grants to provide a match for at least two community collaborative projects for children and youth developed by a regional organization established under Minnesota Statutes.

The regional organization must include a broad cross-section of public and private sector community representatives to address specific community needs of children and youth. A regional organization that receives a grant must provide a two-to-one match of nonstate dollars.

Subd. 13. [EXTENDED DAY AID.] For extended day aid according to Minnesota Statutes, section 124.2716:

<u>\$347,000</u>	<u>.....</u>	<u>1998</u>
<u>\$304,000</u>	<u>.....</u>	<u>1999</u>

The 1998 appropriation includes \$37,000 for 1997 and \$310,000 for 1998.

The 1999 appropriation includes \$34,000 for 1998 and \$270,000 for 1999.

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

Subd. 14. [ADOLESCENT PARENTING GRANTS.] For adolescent parenting grants under section 28:

<u>\$800,000</u>	<u>.....</u>	<u>1998</u>
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Any balance the first year does not cancel but is available in the second year. This money is available for fiscal years 1998 and 1999.

The commissioner shall make grants under this section to two metropolitan area school districts and two nonmetropolitan adolescent parenting programs.

Where applicable, the department shall assure the coordination of male responsibility grants, the Minnesota adolescent parenting program, ENABL, and any federal resources available to serve pregnant or parenting adolescents or programs for the prevention of pregnancy. Pregnancy prevention means to prevent pregnancies from occurring, and does not include abortion referral or services.

This appropriation is available for fiscal years 1998 and 1999 only. Up to 2.5 percent of the appropriation is available for administrative costs.

Subd. 15. [LEAD HAZARD REDUCTION.] For the lead hazard reduction program in Minnesota Statutes, section 268.92:

<u>\$200,000</u>	.....	<u>1998</u>
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The appropriation is available for the biennium ending June 30, 1999.

Of this amount, 25 percent is for a grant to the city of St. Louis Park to conduct lead testing and cleanup in the residential neighborhoods contaminated by an industrial lead site. The remaining amount is for a nonprofit organization that is currently operating the CLEARCorps lead hazard reduction project and is willing to expand its geographic service area.

Subd. 16. [CITIZENSHIP PROMOTION PROGRAM.] For the citizenship promotion program under section 29:

<u>\$1,000,000</u>	.....	<u>1998</u>
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Of this appropriation, up to 2.5 percent each year may be used for administrative costs. Any balance in the first year does not cancel but is available the second year.

Subd. 17. [CHILD GUIDE PREVENTION PROGRAM.] For the southwest and west central service cooperative to operate the Willmar child guide prevention program for children in kindergarten through grade 8 in independent school district No. 347, Willmar:

<u>\$250,000</u>	.....	<u>1998</u>
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Any balance in the first year does not cancel but is available in the second year.

Subd. 18. [ADULT BASIC EDUCATION AID.] For adult basic education aid according to Minnesota Statutes, section 124.26 in fiscal year 1998 and Minnesota Statutes, section 124.2601 in fiscal year 1999:

<u>\$12,474,000</u>	.....	<u>1998</u>
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<u>\$12,473,000</u>	.....	<u>1999</u>
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The 1998 appropriation includes \$837,000 for 1997 and \$11,637,000 for 1998.

The 1999 appropriation includes \$1,293,000 for 1998 and \$11,180,000 for 1999.

\$75,000 each year is for the adult basic education technology project to design, implement, and evaluate the use of online technology applications for adult learners. A working group representing adult basic education programs with demonstrated skills in technology applications must work collaboratively on the technology project. The project must include an electronic curriculum that is consistent with the Minnesota graduation standards. The project must also identify and implement methods to transfer the curriculum and online methods to adult basic education providers and provide effective staff development. Any balance in the first year does not cancel but is available in the second year. This is a one-time appropriation and is not to be added to the base.

\$75,000 each year is for a grant to a public television station that serves rural areas of Minnesota to provide GED programming to aid immigrants and others who lack a high school

diploma to obtain a GED in order to continue their education. Any balance in the first year does not cancel but is available in the second year. This is a one-time appropriation and is not to be added to the base.

Subd. 19. [ADULT GRADUATION AID.] For adult graduation aid according to Minnesota Statutes, section 124.261:

<u>\$2,550,000</u>	<u>.....</u>	<u>1998</u>
<u>\$2,550,000</u>	<u>.....</u>	<u>1999</u>

The 1998 appropriation includes \$224,000 for 1997 and \$2,326,000 for 1998.

The 1999 appropriation includes \$258,000 for 1998 and \$2,292,000 for 1999.

Subd. 20. [GED TESTS.] For payment of 60 percent of the costs of GED tests according to Laws 1993, chapter 224, article 4, section 44, subdivision 10:

<u>\$125,000</u>	<u>.....</u>	<u>1998</u>
<u>\$125,000</u>	<u>.....</u>	<u>1999</u>

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

Sec. 32. [REPEALER.]

Section 29 is repealed June 30, 1999.

### ARTICLE 3

#### SELF-SUFFICIENCY PROGRAMS

Section 1. Minnesota Statutes 1996, section 119A.01, subdivision 3, is amended to read:

Subd. 3. [PURPOSE.] The purpose in creating the department is to increase the capacity of Minnesota communities to measurably improve the well-being of children and families by:

(1) coordinating and integrating state funded and locally administered family and children programs;

(2) improving flexibility in the design, funding, and delivery of programs affecting children and families;

(3) providing greater focus on strategies designed to prevent problems affecting the well-being of children and families;

(4) enhancing local decision making, collaboration, and the development of new governance models;

(5) improving public accountability through the provision of research, information, and the development of measurable program outcomes;

(6) increasing the capacity of communities to respond to the whole child by improving the ability of families to gain access to services;

(7) encouraging all members of a community to nurture all the children in the community; and

(8) supporting parents in their dual roles as breadwinners and parents; and

(9) reducing the condition of poverty for families and children through comprehensive, community-based strategies.

Sec. 2. Minnesota Statutes 1996, section 119A.04, subdivision 6, is amended to read:

Subd. 6. [FUNDING FOR TRANSFERRED PROGRAMS.] State appropriations for programs



transferred under this section may not be used to replace appropriations for K-12 programs. State and federal appropriations for programs under subdivision 5a, transferred from the department of economic security, may not be used to replace, supplement, or supplant federal or state appropriations for any other program in the department.

Sec. 3. Minnesota Statutes 1996, section 119A.04, is amended by adding a subdivision to read:

Subd. 7. [GRANTEES OF TRANSFERRED PROGRAMS.] Except as provided in Minnesota Rules, chapter 3350, the commissioner shall not reduce the number of organizations or eliminate specific types of organizations that are eligible to directly apply for grants made by programs transferred from the department of economic security after January 1, 1997.

Sec. 4. Minnesota Statutes 1996, section 119A.15, is amended by adding a subdivision to read:

Subd. 5a. [EXCLUDED PROGRAMS.] Programs transferred to the department of children, families, and learning from the department of economic security may not be included in the consolidated funding account and are ineligible for local consolidation. The commissioner may not apply for federal waivers to include these programs in funding consolidation initiatives. The programs include the following:

- (1) programs for the homeless under sections 268.365, 268.38, and 268.39;
- (2) emergency energy assistance and energy conservation programs under sections 4.071 and 268.371;
- (3) weatherization programs under section 268.37;
- (4) foodshelf programs under section 268.55 and the emergency food assistance program; and
- (5) lead abatement programs under section 268.92.

Sec. 5. [WORKER PARTICIPATION COMMITTEES.]

Notwithstanding Minnesota Statutes, section 15.059, subdivision 6, the worker participation committees established under Laws 1995, First Special Session chapter 3, article 16, section 10, subdivision 3, do not expire until June 30, 1999.

Sec. 6. [LOW-INCOME ENERGY ASSISTANCE; REPORT OF FINDINGS.]

The commissioner who administers the low-income energy assistance program shall identify potential revenue sources for the low-income energy assistance program. This must be done, to the extent possible, in cooperation with the commissioner of revenue, the commissioner of public service, the public utilities commission, members representing the industry including the delivered fuel industry, rural electric cooperatives, regulated utilities, municipal utilities, and representatives of low-income energy advocates and other consumer advocates. By January 31, 1998, the commissioner shall make recommendations to the appropriate legislative committees on potential sources of revenue to provide assistance to low-income energy consumers including, but not limited to:

- (1) a surcharge on summer delivered fuel fills;
- (2) all fuels charge;
- (3) margin over rack programs;
- (4) revenue-based and Btu-based wires charges; and
- (5) general revenue funds.

Sec. 7. [EMERGENCY SERVICES GRANTS.]

Subdivision 1. [DEFINITIONS.] (a) The definitions in this subdivision apply to this section.

(b) "Commissioner" means the commissioner of children, families, and learning.

(c) "Eligible organization" means a local governmental unit or nonprofit organization providing or seeking to provide emergency services for homeless persons.

(d) "Emergency services" means:

(1) providing emergency shelter for homeless persons; and

(2) assisting homeless persons in obtaining essential services, including:

(i) access to permanent housing;

(ii) medical and psychological help;

(iii) employment counseling and job placement;

(iv) substance abuse treatment;

(v) financial assistance available from other programs;

(vi) emergency child care;

(vii) transportation; and

(viii) other services needed to stabilize housing.

Subd. 2. [PROGRAM ESTABLISHED; PURPOSE.] An emergency services grant program is established to provide homeless persons essential services and emergency shelter in safe, sanitary, and decent facilities. The grant program is to help eligible organizations improve the quality of existing shelters, make available other emergency housing, meet the operating and maintenance costs of shelters, and provide essential services to homeless persons. The program shall be administered by the commissioner.

Subd. 3. [DISTRIBUTION OF GRANTS.] The commissioner shall make grants so as to ensure that emergency services are available to meet the needs of homeless persons statewide.

Subd. 4. [MATCHING FUNDS.] The commissioner may require a grantee to match the grant amount with \$1 of nonstate funds for every \$2 of grant funds. The match may be in-kind, including the value of volunteer time, or in cash, or a combination of the two.

Subd. 5. [APPLICATIONS.] An eligible organization may apply to the commissioner for a grant to initiate, maintain, or expand a program providing emergency services for homeless persons. The commissioner shall determine the timing and form of the application for the program.

Subd. 6. [CRITERIA FOR GRANT AWARDS.] The commissioner shall award grants based on the following criteria:

(1) that the application is for a grant to provide emergency services;

(2) evidence of the applicant's need for state assistance and of the need for the particular emergency services to be funded; and

(3) long-range plans for future funding if the need continues to exist for the emergency services.

Subd. 7. [PROGRAM INFORMATION.] In order to collect uniform data to measure better the nature and extent of the need for emergency services, grant recipients shall collect and make available to the commissioner the following information:

(1) the number of persons who seek emergency shelter and where they are seeking shelter;

(2) the number of persons for whom shelter is provided and where, by age, sex, and whether as an individual or part of a family;

(3) the reasons for seeking assistance;

(4) the length of stay;

(5) the reasons for leaving the shelter; and

(6) the demand for essential services.

Sec. 8. [APPROPRIATIONS.]

Subdivision 1. [DEPARTMENT OF CHILDREN, FAMILIES, AND LEARNING.] The sums indicated in this section are appropriated from the general fund to the department of children, families, and learning for the fiscal years designated.

Subd. 2. [MINNESOTA ECONOMIC OPPORTUNITY GRANTS.] For Minnesota economic opportunity grants:

<u>\$9,000,000</u>	.....	<u>1998</u>
<u>\$9,000,000</u>	.....	<u>1999</u>

Of this appropriation, the commissioner may use up to 5.4 percent each year for state operations.

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

Subd. 3. [TRANSITIONAL HOUSING PROGRAMS.] For transitional housing programs according to Minnesota Statutes, section 268.38:

<u>\$1,728,000</u>	.....	<u>1998</u>
<u>\$1,728,000</u>	.....	<u>1999</u>

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

Of this appropriation, up to five percent each year may be used for administrative costs. A portion of this appropriation may be used for the emergency services grant program under section 7.

Subd. 4. [FOOD BANK PROGRAM.] For foodshelf programs according to Minnesota Statutes, section 268.55:

<u>\$1,250,000</u>	.....	<u>1998</u>
<u>\$1,250,000</u>	.....	<u>1999</u>

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

Subd. 5. [EMERGENCY FOOD ASSISTANCE.] For emergency food assistance according to Laws 1995, chapter 224, section 5, subdivision 3:

<u>\$97,000</u>	.....	<u>1998</u>
<u>\$97,000</u>	.....	<u>1999</u>

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

Subd. 6. [TRANSFERS; WEATHERIZATION; ENERGY ASSISTANCE.] For the biennium ending June 30, 1999, the commissioner shall transfer to the low-income home weatherization program at least five percent of the money received under the low-income home energy assistance block grant in each year of the biennium and shall spend all of the transferred money during the year of the transfer or the year following the transfer. Up to 1.63 percent of the transferred money may be used by the commissioner for administrative purposes.

For the biennium ending June 30, 1999, no more than 1.63 percent of money remaining under the low-income home energy assistance program after transfers to the weatherization program may be used by the commissioner for administrative purposes.

ARTICLE 4  
CHILD CARE

Section 1. Minnesota Statutes 1996, section 119B.01, is amended by adding a subdivision to read:

Subd. 7a. [DEPARTMENT.] "Department" means the department of children, families, and learning.

Sec. 2. Minnesota Statutes 1996, section 119B.01, subdivision 8, is amended to read:

Subd. 8. [EDUCATION PROGRAM.] "Education program" means remedial or basic education or English as a second language instruction, a program leading to a general equivalency or high school diploma, post-secondary programs excluding postbaccalaureate programs, and other education and training needs as documented in an employability employment plan that is developed by an employment and training service provider certified by the commissioner of economic security or an individual designated by the county to provide employment and training services, as defined in subdivision 9. The employability employment plan must outline education and training needs of a recipient, meet state requirements for employability employment plans, meet the requirements of this chapter, and Minnesota Rules, parts 9565.5000 3400.0010 to 9565.5200 3400.0230, and meet the requirements of programs that provide federal reimbursement for child care services.

Sec. 3. Minnesota Statutes 1996, section 119B.01, subdivision 9, is amended to read:

Subd. 9. [EMPLOYMENT PROGRAM PLAN.] "Employment program plan" means employment of recipients financially eligible for child care assistance, ~~preemployment activities,~~ or other work activities approved in an employability development, job search support plan, or employment plan that is developed by the county agency, if it is acting as an employment and training service provider, or by an employment and training service provider certified by the commissioner of economic security or an individual designated by the county to provide employment and training services. The plans and designation of a service provider must meet the requirements of this chapter and chapter 256J or chapter 256K, Minnesota Rules, parts 9565.5000 3400.0010 to 9565.5200 3400.0230, and other programs that provide federal reimbursement for child care services.

Sec. 4. Minnesota Statutes 1996, section 119B.01, subdivision 12, is amended to read:

Subd. 12. [INCOME.] "Income" means earned or unearned income received by all family members 16 years or older, including public assistance cash benefits, unless specifically excluded. The following are excluded from income: funds used to pay for health insurance premiums for family members, Supplemental Security Income, scholarships, work-study income, and grants that cover costs for tuition, fees, books, and educational supplies; student loans for tuition, fees, books, supplies, and living expenses; earned income tax credits; in-kind income such as food stamps, energy assistance, medical assistance, and housing subsidies; ~~income from summer or part-time employment of 16-, 17-, and 18-year-old full-time secondary school students;~~ earned income of full or part-time secondary school students up to the age of 19, including summer employment; grant awards under the family subsidy program; and nonrecurring lump sum income only to the extent that it is earmarked and used for the purpose for which it is paid; and any income assigned to the public authority according to section 256.74 or section 256.741, if enacted.

Sec. 5. Minnesota Statutes 1996, section 119B.01, is amended by adding a subdivision to read:

Subd. 12a. [MFIP-S.] "MFIP-S" means the Minnesota family investment program-statewide, the state's TANF program under Public Law Number 104-193, Title I.

Sec. 6. Minnesota Statutes 1996, section 119B.01, subdivision 15, is amended to read:

Subd. 15. [AFDC.] "AFDC" means the aid to families with dependent children program under sections 256.72 to 256.87; the MFIP program under sections 256.031 to 256.0361 and 256.0475 to 256.049; the MFIP-S program under chapter 256J; and the work first program under chapter 256K, whichever program is in effect.

Sec. 7. Minnesota Statutes 1996, section 119B.01, subdivision 16, is amended to read:

Subd. 16. [TRANSITION YEAR FAMILIES.] "Transition year families" means families who lose have received AFDC for at least three of the last six months before losing eligibility for AFDC due to increased hours of employment, increased income from employment or child or spousal support, or the loss of income disregards due to time limitations, as provided under Public Law Number 100-485.

Sec. 8. Minnesota Statutes 1996, section 119B.01, subdivision 17, is amended to read:

Subd. 17. [CHILD CARE FUND.] "Child care fund" means a program under this chapter providing:

(1) financial assistance for child care to parents engaged in employment or the short-term provision of at-home infant care for their own child or education and training leading to employment; and

(2) grants to develop, expand, and improve the access and availability of child care services statewide.

Sec. 9. Minnesota Statutes 1996, section 119B.02, is amended to read:

119B.02 [DUTIES OF COMMISSIONER.]

The commissioner shall develop standards for county and human services boards to provide child care services to enable eligible families to participate in employment, training, or education programs. Within the limits of available appropriations, the commissioner shall distribute money to counties to reduce the costs of child care for eligible families. The commissioner shall adopt rules to govern the program in accordance with this section. The rules must establish a sliding schedule of fees for parents receiving child care services. The rules shall provide that funds received as a lump sum payment of child support arrearages shall not be counted as income to a family in the month received but shall be prorated over the 12 months following receipt and added to the family income during those months. In the rules adopted under this section, county and human services boards shall be authorized to establish policies for payment of child care spaces for absent children, when the payment is required by the child's regular provider. The rules shall not set a maximum number of days for which absence payments can be made, but instead shall direct the county agency to set limits and pay for absences according to the prevailing market practice in the county. County policies for payment of absences shall be subject to the approval of the commissioner. The commissioner shall maximize the use of federal money in section 256.736 and other programs that provide federal or state reimbursement for child care services for recipients of aid to low-income families with dependent children who are in education, training, job search, or other activities allowed under those programs. Money appropriated under this section must be coordinated with the programs that provide federal reimbursement for child care services to accomplish this purpose. Federal reimbursement obtained must be allocated to the county that spent money for child care that is federally reimbursable under programs that provide federal reimbursement for child care services. The counties shall use the federal money to expand child care services. The commissioner may adopt rules under chapter 14 to implement and coordinate federal program requirements.

Sec. 10. Minnesota Statutes 1996, section 119B.03, subdivision 3, is amended to read:

Subd. 3. [ELIGIBLE RECIPIENTS.] Families that meet the eligibility requirements under sections 119B.09, except AFDC recipients, MFIP recipients, and transition year families, and 119B.10 are eligible for child care assistance under the basic sliding fee program. Families enrolled in the basic sliding fee program as of July 1, 1990, shall be continued until they are no longer eligible. Counties shall make vendor payments to the child care provider or pay the parent

~~directly for eligible child care expenses on a reimbursement basis.~~ Child care assistance provided through the child care fund is considered assistance to the parent.

Sec. 11. Minnesota Statutes 1996, section 119B.03, subdivision 4, is amended to read:

Subd. 4. [FUNDING PRIORITY.] (a) First priority for child care assistance under the basic sliding fee program must be given to eligible non-AFDC families who do not have a high school or general equivalency diploma or who need remedial and basic skill courses in order to pursue employment or to pursue education leading to employment. Within this priority, the following subpriorities must be used:

- (1) child care needs of minor parents;
  - (2) child care needs of parents under 21 years of age; and
  - (3) child care needs of other parents within the priority group described in this paragraph.
- (b) Second priority must be given to parents who have completed their AFDC transition year.

(c) Third priority must be given to families who are eligible for portable basic sliding fee assistance through the portability pool under section 119B.03, subdivision 9.

Sec. 12. Minnesota Statutes 1996, section 119B.03, subdivision 5, is amended to read:

Subd. 5. [REVIEW OF USE OF FUNDS; REALLOCATION.] (a) After each quarter, the commissioner shall review the use of basic sliding fee program allocations by county. The commissioner may reallocate unexpended or unencumbered money among those counties who have expended their full allocation or may allow a county to expend up to ten percent of its allocation in the subsequent allocation period.

(b) Any unexpended money state and federal appropriations from the first year of the biennium may be carried forward to the second year of the biennium.

Sec. 13. Minnesota Statutes 1996, section 119B.03, subdivision 6, is amended to read:

Subd. 6. [ALLOCATION FORMULA.] Beginning January 1, 1996, except as provided in subdivision 7, the basic sliding fee state and federal funds shall be allocated on a calendar year basis. Funds shall be allocated first in amounts equal to each county's guaranteed floor according to subdivision 8, with any remaining available funds allocated according to the following formula:

(a) One-third of the funds shall be allocated in proportion to each county's total expenditures for the basic sliding fee child care program reported during the most recent calendar year completed at the time of the notice of allocation.

(b) One-third of the funds shall be allocated based on the number of children under age 13 in each county who are enrolled in general assistance medical care, medical assistance, and MinnesotaCare on December 31 of the most recent calendar year completed at the time of the notice of allocation.

(c) One-third of the funds shall be allocated based on the number of children under age 13 who reside in each county, from the most recent estimates of the state demographer.

Sec. 14. Minnesota Statutes 1996, section 119B.03, subdivision 7, is amended to read:

Subd. 7. [~~SIX-MONTH ALLOCATION EXCEPTION.~~] ~~For the period from July 1, 1995, to December 31, 1995, every county shall receive an allocation at least equal and proportionate to one-half of its original allocation in state fiscal year 1995. This six-month allocation shall be combined with the calendar year 1996 allocation and be administered as one 18-month allocation.~~ 1997, to December 31, 1998, each county must receive an amount equal to its original calendar year 1997 allocation. The remaining funds must be allocated according to the following formula:

(a) Two-thirds of the funds must be allocated in proportion to each county's original calendar year 1997 allocation for the basic sliding fee program.

(b) One-third of the funds must be allocated in proportion to each county's most recently reported waiting list as defined in section 119B.03, subdivision 2.

When funding increases are implemented within a calendar year, every county must receive an allocation at least equal and proportionate to its original allocation for the same time period. The remainder of the allocation must be recalculated to reflect the funding increase and according to the formulas identified in subdivision 6 and this subdivision.

Sec. 15. Minnesota Statutes 1996, section 119B.03, subdivision 8, is amended to read:

Subd. 8. [GUARANTEED FLOOR.] (a) Beginning January 1, 1996, each county's guaranteed floor shall equal 90 percent of the allocation received in the preceding calendar year. For the calendar year 1996 allocation, the preceding calendar year shall be considered to be double the six-month allocation as provided for in subdivision 7. For the period January 1, 1999, to December 31, 1999, each county's guaranteed floor must be equal to its original calendar year 1998 allocation or its actual earnings for calendar year 1998, whichever is less.

(b) When the amount of funds available for allocation is less than the amount available in the previous year, each county's previous year allocation shall be reduced in proportion to the reduction in the statewide funding, for the purpose of establishing the guaranteed floor.

Sec. 16. Minnesota Statutes 1996, section 119B.03, is amended by adding a subdivision to read:

Subd. 9. [PORTABILITY POOL.] (a) The commissioner shall establish a pool of up to five percent of the annual appropriation for the basic sliding fee program to provide continuous child care assistance for eligible families who move between Minnesota counties. At the end of each allocation period, any unspent funds in the portability pool must be added to the funds available for reallocation. If expenditures from the portability pool exceed the amount of money available, the reallocation pool must be reduced to cover these shortages.

(b) To be eligible for portable basic sliding fee assistance, a family that has moved from a county in which it was receiving basic sliding fee assistance to a county with a waiting list for the basic sliding fee program must:

(1) meet the income and eligibility guidelines for the basic sliding fee program; and

(2) notify the new county of residence within 30 days of moving and apply for basic sliding fee assistance in the new county of residence.

(c) The receiving county must:

(1) accept administrative responsibility for applicants for portable basic sliding fee assistance at the end of the two months of assistance under the unitary residency act;

(2) continue basic sliding fee assistance for the lesser of six months or until the family is able to receive assistance under the county's regular basic sliding program; and

(3) notify the commissioner through the quarterly reporting process of any family that meets the criteria of the portable basic sliding fee assistance pool.

Sec. 17. Minnesota Statutes 1996, section 119B.03, is amended by adding a subdivision to read:

Subd. 10. [APPLICATION; ENTRY POINTS.] Two or more methods of applying for the basic sliding fee program must be available to applicants in each county. To meet the requirements of this subdivision, a county may provide alternative methods of applying for assistance, including, but not limited to, a mail application, or application sites that are located outside of government offices.

Sec. 18. Minnesota Statutes 1996, section 119B.04, is amended to read:

119B.04 [FEDERAL AT-RISK CHILD CARE PROGRAM AND DEVELOPMENT FUND.]

Subdivision 1. [COMMISSIONER TO ADMINISTER PROGRAM.] The commissioner of children, families, and learning is authorized and directed to receive, administer, and expend funds available under the ~~at-risk child care program~~ and development fund under Public Law Number 101-508 (1) 104-193, Title I.

Subd. 2. [RULEMAKING AUTHORITY.] The commissioner may adopt rules under chapter 14 to administer the ~~at-risk child care program~~ and development fund.

Sec. 19. Minnesota Statutes 1996, section 119B.05, subdivision 1, is amended to read:

Subdivision 1. [ELIGIBLE RECIPIENTS.] Families eligible for ~~guaranteed~~ child care assistance under the AFDC child care program are:

(1) persons receiving services under ~~section 256.736~~ sections 256.031 to 256.04;

(2) AFDC recipients who are employed or in job search and meet the requirements of section 119B.10;

(3) persons who are members of transition year families under section 119B.01, subdivision 16;

(4) members of the control group for the STRIDE evaluation conducted by the Manpower Demonstration Research Corporation; ~~and~~

(5) AFDC caretakers who are participating in the STRIDE and non-STRIDE AFDC child care program;

(6) families who are participating in employment orientation or job search, or other employment or training activities that are included in an approved employability development plan under chapter 256K; and

(7) MFIP-S families who are participating in work activities as required in their job search support or employment plan, or in appeals, hearings, assessments, or orientations according to chapter 256J. Child care assistance to support work activities as described in section 256J.49 must be available according to sections 119B.01, subdivision 8, 121.882, 256E.08, 268.916, and 611A.32 and titles IVA, IVB, IVE, and XX of the Social Security Act.

Sec. 20. Minnesota Statutes 1996, section 119B.05, subdivision 5, is amended to read:

Subd. 5. [FEDERAL REIMBURSEMENT.] Counties shall maximize their federal reimbursement under ~~Public Law Number 100-485 or other~~ federal reimbursement programs for money spent for persons eligible under this chapter. The commissioner shall allocate any federal earnings to the county to be used to expand child care services under this chapter.

Sec. 21. Minnesota Statutes 1996, section 119B.05, subdivision 6, is amended to read:

Subd. 6. [ACCESS CHILD CARE PROGRAM.] (a) Starting one month after April 30, 1992, the commissioner shall reimburse eligible expenditures for 2,000 family slots for AFDC caretakers not eligible for services under section 256.736, who are engaged in an authorized educational or job search program. Each county will receive a number of family slots based on the county's proportion of the AFDC caseload. A county must receive at least two family slots. Eligibility and reimbursement are limited to the number of family slots allocated to each county. County agencies shall authorize an educational plan for each student and may prioritize families eligible for this program in their child care fund plan upon approval of the commissioner.

(b) ~~Persons eligible for but unable to participate in the JOBS (STRIDE) program because of a waiting list may be accepted as a new participant, or continue to participate in the ACCESS child care program if a slot is available as long as all other eligibility factors are met. Child care assistance must continue under the ACCESS child care program until the participant loses eligibility or is enrolled in project STRIDE.~~

(c)(1) ~~Effective July 1, 1995, the commissioner shall reclaim 90 percent of the vacant slots in each county and distribute those slots to counties with waiting lists of persons eligible for the~~



ACCESS child care program. The slots must be distributed to eligible families based on the July 1, 1995, waiting list placement date, first come, first served basis.

~~(2) ACCESS child care slots remaining after the waiting list under clause (1) has been eliminated must be distributed to eligible families on a first come, first served basis, based on the client's date of request.~~

~~(3) The county must notify the commissioner when an ACCESS slot in the county becomes available. Notification by the county must be within five calendar days of the effective date of the termination of the ACCESS child care services. The resulting vacant slot must be returned to the department of children, families, and learning. The slot must then be redistributed under clause (2).~~

~~(4) The commissioner shall consult with the task force on child care and make recommendations to the 1996 legislature for future distribution of the ACCESS slots under this paragraph. Effective July 1, 1997, no new applicants may be accepted in the ACCESS program. Current ACCESS participants shall continue to receive assistance until July 1, 1998, if all other conditions of eligibility are met.~~

Sec. 22. [119B.061] [AT-HOME INFANT CHILD CARE PROGRAM.]

Subdivision 1. [ESTABLISHMENT.] Beginning July 1, 1998, a family receiving or eligible to receive assistance under the basic sliding fee program is eligible for assistance for a parent to provide short-term child care for the family's infant child. An eligible family must meet the eligibility factors under section 119B.09, the income criteria under section 119B.12, and the requirements of this section. The commissioner shall establish a pool of up to seven percent of the annual appropriation for the basic sliding fee program to provide assistance under the at-home infant child care program. At the end of the fiscal year, any unspent funds must be used for assistance under the basic sliding fee program.

Subd. 2. [ELIGIBLE FAMILIES.] A family with an infant under the age of one year is eligible for assistance if:

- (1) the family is not receiving MFIP-S, other cash assistance, or other child care assistance;
- (2) the family has not previously received the one-year exemption from the work requirement for infant care under the MFIP-S program;
- (3) the family has not previously received a life-long total of 12 months of assistance under this section; and
- (4) the family is participating in the basic sliding fee program or, for the first child in a family, provides verification of employment at the time of application and meets the program requirements.

Subd. 4. [ELIGIBLE PARENT.] Only one parent, in a two-parent family, is eligible for assistance. The eligible parent must:

- (1) be over the age of 18;
- (2) provide full-time care for the child in the child's home; and
- (3) provide child care for any other children in the family that are eligible for child care.

Subd. 3. [ASSISTANCE.] (a) A family is limited to a lifetime total of 12 months of assistance under this section. The maximum rate of assistance must be at 75 percent of the rate established under section 119B.13 for care of infants in licensed family day care in the applicant's county of residence. Assistance must be calculated to reflect the copay requirement and the family's income level.

(b) A participating family must continue to report income and other family changes as specified in the county's plan under section 119B.08, subdivision 3. The family must treat any assistance received under this section as unearned income.

(c) Participation in the at-home infant child care program must be considered participation in the basic sliding fee program for purposes of continuing eligibility under section 119B.03, subdivision 3.

(d) A family that receives assistance under this section is ineligible for the one-year exemption from work requirements under the MFIP-S program.

Subd. 4. [IMPLEMENTATION.] By July 1, 1998, the commissioner shall implement the at-home infant child care program under this section. The commissioner shall evaluate this program and report the impact to the legislature by January 1, 2000. The evaluation must include data on the number of families participating in the program; the number of families continuing to pursue employment or education while participating in the program; the average income of families prior to, during, and after participation in the program; family size; and single parent and two-parent status.

Sec. 23. Minnesota Statutes 1996, section 119B.05, is amended by adding a subdivision to read:

Subd. 7. [CHILD CARE ASSISTANCE DIVERSION.] A one-year program is established to provide assistance to participants under the working family assistance program established in chapter 256J who are participating in an authorized activity under section 256J.03, subdivision 4, and who are eligible for child care assistance according to chapter 119B as a reimbursement for expenses related to the costs of education, training, or transportation when all of the following conditions exist:

(1) child care needs during participation in the authorized activity are being met by a legal child care provider as defined in section 119B.01, subdivision 13;

(2) the participant cannot reasonably arrange for the education, training, or transportation costs to be met through alternate arrangements;

(3) the child care arrangement provides a transition to a stable child care and employment arrangement and does not disrupt the continuity of care for children; and

(4) the arrangement does not exceed two months.

The commissioner shall select one county in the seven-county metropolitan area to participate in the program. Assistance must be available only to residents of the selected county. Assistance granted under this subdivision must not exceed 1/12 of the average annual cost of care as established for the administering county in the previous state fiscal year for each authorized month. Assistance under this subdivision is available to a recipient on a one-time basis.

Sec. 24. Minnesota Statutes 1996, section 119B.07, is amended to read:

119B.07 [USE OF MONEY.]

Money for persons listed in sections 119B.03, subdivision 3, and 119B.05, subdivision 1, shall be used to reduce the costs of child care for students, including the costs of child care for students while employed if enrolled in an eligible education program at the same time and making satisfactory progress towards completion of the program. Counties may not limit the duration of child care subsidies for a person in an employment or educational program, except when the person is found to be ineligible under the child care fund eligibility standards. Any limitation must be based on a person's employability plan in the case of an AFDC recipient, and county policies included in the child care allocation plan. The maximum length of time a student is eligible for child care assistance under the child care fund for education and training is no more than the time necessary to complete the credit requirements for an associate or baccalaureate degree as determined by the educational institution, excluding basic or remedial education programs needed to prepare for post-secondary education or employment. To be eligible, the student must be in good standing and be making satisfactory progress toward the degree. Time limitations for child care assistance, as specified in Minnesota Rules, parts 9565.5000 to 9565.5200, do not apply to basic or remedial educational programs needed to prepare for post-secondary education or employment. These programs include: high school, general equivalency diploma, and English as a

second language. Programs exempt from this time limit must not run concurrently with a post-secondary program. High school students who are participating in a post-secondary options program and who receive a high school diploma issued by the school district are exempt from the time limitations while pursuing a high school diploma. Financially eligible students who have received child care assistance for one academic year shall be provided child care assistance in the following academic year if funds allocated under sections 119B.03 and 119B.05 are available. If an AFDC recipient who is receiving AFDC child care assistance under this chapter moves to another county, continues to participate in educational or training programs authorized in their employability development plans, and continues to be eligible for AFDC child care assistance under this chapter, the AFDC caretaker must receive continued child care assistance from the county responsible for their current employability development plan, without interruption.

Sec. 25. [119B.075] [RESERVE ACCOUNT.]

A reserve account must be created within the general fund for all unexpended basic sliding fee child care, TANF child care, or other child care funds under the jurisdiction of the commissioner. Any funds for those purposes that are unexpended at the end of a biennium must be deposited in this reserve account, and may be appropriated on an ongoing basis by the commissioner for basic sliding fee child care or TANF child care.

Sec. 26. Minnesota Statutes 1996, section 119B.08, subdivision 1, is amended to read:

~~Subdivision 1. [QUARTERLY REPORTS.] The commissioner shall specify requirements for reports, including quarterly fiscal reports, according to under the same authority as provided to the commissioner of human services in section 256.01, subdivision 2, paragraph (17). Counties shall submit on forms prescribed by the commissioner a quarterly financial and program activity report. The failure to submit a complete report by the end of the quarter in which the report is due may result in a reduction of child care fund allocations equal to the next quarter's allocation. The financial and program activity report must include:~~

~~(1) a detailed accounting of the expenditures and revenues for the program during the preceding quarter by funding source and by eligibility group;~~

~~(2) a description of activities and concomitant expenditures that are federally reimbursable under federal reimbursement programs;~~

~~(3) a description of activities and concomitant expenditures of child care money;~~

~~(4) information on money encumbered at the quarter's end but not yet reimbursable, for use in adjusting allocations as provided in section 119B.03, subdivision 5; and~~

~~(5) other data the commissioner considers necessary to account for the program or to evaluate its effectiveness in preventing and reducing participants' dependence on public assistance and in providing other benefits, including improvement in the care provided to children.~~

Sec. 27. Minnesota Statutes 1996, section 119B.08, subdivision 3, is amended to read:

~~Subd. 3. [CHILD CARE FUND PLAN.] Effective January 1, 1992, the county will include the plan required under this subdivision in its biennial community social services plan required in this section, for the group described in section 256E.03, subdivision 2, paragraph (h). For the period July 1, 1989, to December 31, 1991, the county shall submit separate child care fund plans required under this subdivision for the periods July 1, 1989, to June 30, 1990; and July 1, 1990, to December 31, 1991. The commissioner shall establish the dates by which the county must submit these plans. The county and designated administering agency shall submit to the commissioner an annual child care fund allocation plan. The plan shall include:~~

~~(1) a narrative of the total program for child care services, including all policies and procedures that affect eligible families and are used to administer the child care funds;~~

~~(2) the number of families that requested a child care subsidy in the previous year, the number of families receiving child care assistance, the number of families on a waiting list, and the number of families projected to be served during the fiscal year;~~

(3) the methods used by the county to inform eligible groups of the availability of child care assistance and related services;

(4) (3) the provider rates paid for all children by provider type;

(5) (4) the county prioritization policy for all eligible groups under the basic sliding fee program and AFDC child care program; and

(6) ~~a report of all funds available to be used for child care assistance, including demonstration of compliance with the maintenance of funding effort required under section 119B.11; and~~

(7) (5) other information as requested by the department to ensure compliance with the child care fund statutes and rules promulgated by the commissioner.

The commissioner shall notify counties within 60 days of the date the plan is submitted whether the plan is approved or the corrections or information needed to approve the plan. The commissioner shall withhold a county's allocation until it has an approved plan. Plans not approved by the end of the second quarter after the plan is due may result in a 25 percent reduction in allocation. Plans not approved by the end of the third quarter after the plan is due may result in a 100 percent reduction in the allocation to the county. Counties are to maintain services despite any reduction in their allocation due to plans not being approved.

Sec. 28. Minnesota Statutes 1996, section 119B.09, subdivision 1, is amended to read:

Subdivision 1. [GENERAL ELIGIBILITY FACTORS REQUIREMENTS FOR ALL APPLICANTS FOR CHILD CARE ASSISTANCE.] (a) Child care services must be available to families who need child care to find or keep employment or to obtain the training or education necessary to find employment and who:

(a) (1) meet the requirements of section 119B.05; receive aid to families with dependent children, MFIP-S, or work first, whichever is in effect; and are receiving employment and training services under section 256.736 or chapter 256J or 256K;

(b) (2) have household income below the eligibility levels for aid to families with dependent children; or

(c) (3) have household income within a range established by the commissioner.

(d) (b) Child care services for the families receiving aid to families with dependent children must be made available as in-kind services, to cover any difference between the actual cost and the amount disregarded under the aid to families with dependent children program. Child care services to families whose incomes are below the threshold of eligibility for aid to families with dependent children, but are not AFDC caretakers, must be made available with the ~~minimum~~ same copayment required by federal law of AFDC caretakers or MFIP-S caregivers.

(e) All applicants for child care assistance and families currently receiving child care assistance must be assisted and required to cooperate in establishment of paternity and enforcement of child support obligations as a condition of program eligibility. For purposes of this section, a family is considered to meet the requirement for cooperation when the family complies with the requirements of section 256.741, if enacted.

Sec. 29. Minnesota Statutes 1996, section 119B.09, subdivision 2, is amended to read:

Subd. 2. [SLIDING FEE.] Child care services to families with incomes in the commissioner's established range must be made available on a sliding fee basis. ~~The lower limit of the sliding fee range must be the eligibility limit for aid to families with dependent children.~~ The upper limit of the range must be neither less than 70 percent nor more than 90 percent of the state median income for a family of four, adjusted for family size.

Sec. 30. Minnesota Statutes 1996, section 119B.09, is amended by adding a subdivision to read:

Subd. 6. [MAXIMUM CHILD CARE ASSISTANCE.] The maximum amount of child care assistance a local agency may authorize in a two-week period is 120 hours per child.

Sec. 31. Minnesota Statutes 1996, section 119B.09, is amended by adding a subdivision to read:

Subd. 7. [ELIGIBILITY FOR ASSISTANCE.] The date of eligibility for child care assistance under this chapter is the later of the date the application was signed; the beginning date of employment, education, or training; or the date a determination has been made that the applicant is a participant in employment and training services under Minnesota Rules, part 3400.0080, subpart 2a, section 256.736, or chapter 256J or 256K. The date of eligibility for the basic sliding fee at-home infant child care program is the later of the date the infant is born or, in a county with a basic sliding fee wait list, the date the family applies for at-home infant child care. Payment ceases for a family under the at-home infant child care program when a family has used a total of 12 months of assistance as specified under section 119B.061. Payment of child care assistance for employed persons on AFDC is effective the date of employment or the date of AFDC eligibility, whichever is later. Payment of child care assistance for MFIP-S or work first participants in employment and training services is effective the date of commencement of the services or the date of MFIP-S or work first eligibility, whichever is later. Payment of child care assistance for transition year child care must be made retroactive to the date of eligibility for transition year child care.

Sec. 32. Minnesota Statutes 1996, section 119B.09, is amended by adding a subdivision to read:

Subd. 8. [NO EMPLOYEE-EMPLOYER RELATIONSHIPS.] Receipt of federal, state, or local funds by a child care provider either directly or through a parent who is a child care assistance recipient does not establish an employee-employer relationship between the child care provider and the county or state.

Sec. 33. Minnesota Statutes 1996, section 119B.10, subdivision 1, is amended to read:

Subdivision 1. [ASSISTANCE FOR PERSONS SEEKING AND RETAINING EMPLOYMENT.] (a) Persons who are seeking employment and who are eligible for assistance under this section are eligible to receive up to 240 hours of child care assistance per calendar year.

(b) Employed persons who work at least an average of ten 20 hours a week and receive at least a minimum wage for all hours worked are eligible for continued child care assistance. Child care assistance during employment must be authorized as provided in paragraphs (c) and (d).

(c) When the caregiver works for an hourly wage and the hourly wage is equal to or greater than the applicable minimum wage, child care assistance shall be provided for the actual hours of employment, break, and meal time during the employment and travel time up to two hours per day.

(d) When the caregiver does not work for an hourly wage, child care assistance must be provided for the lesser of:

(1) the amount of child care determined by dividing gross earned income by the applicable minimum wage, up to one hour every eight hours for meals and break time, plus up to two hours per day for travel time; or

(2) the amount of child care equal to the actual amount of child care used during employment, including break and meal time during employment, and travel time up to two hours per day.

Sec. 34. Minnesota Statutes 1996, section 119B.11, subdivision 1, is amended to read:

Subdivision 1. [COUNTY CONTRIBUTIONS REQUIRED.] Beginning July 1, 1995 1997, in addition to payments from basic sliding fee child care program participants, counties each county shall contribute from county tax or other sources at the a fixed local match percentage calculated according to subdivision 2 equal to its calendar year 1996 required county contribution reduced by the administrative funding loss that would have occurred in state fiscal year 1996 under section 119B.15. The commissioner shall recover funds from the county as necessary to bring county expenditures into compliance with this subdivision.

Sec. 35. Minnesota Statutes 1996, section 119B.11, is amended by adding a subdivision to read:

Subd. 2a. [RECOVERY OF OVERPAYMENTS.] An amount of child care assistance paid to a recipient in excess of the payment due is recoverable by the county agency. The overpayment must be recovered through recoupment as identified in Minnesota Rules, part 9565.5110, subpart 11, items A and B, if the family remains eligible for assistance. If the family no longer remains eligible for child care assistance, the county may choose to initiate efforts to recover overpayments from the family for overpayment less than \$50. If the overpayment is greater than or equal to \$50, the county shall seek voluntary repayment of the overpayment from the family. If the county is unable to recoup the overpayment through voluntary repayment, the county shall initiate civil court proceedings to recover the overpayment unless the county's costs to recover the overpayment will exceed the amount of the overpayment. A family with an outstanding debt under this subdivision is not eligible for child care assistance until the debt is paid in full or satisfactory arrangements are made with the county to retire the debt.

Sec. 36. Minnesota Statutes 1996, section 119B.11, subdivision 3, is amended to read:

Subd. 3. [FEDERAL MONEY; STATE RECOVERY.] The commissioner shall recover from counties any state or federal money that was spent for persons found to be ineligible, except if the recovery is made by a county agency using any method other than recoupment, the county may keep 25 percent of the recovery. If a federal audit exception is taken based on a percentage of federal earnings, all counties shall pay a share proportional to their respective federal earnings during the period in question.

Sec. 37. Minnesota Statutes 1996, section 119B.12, is amended to read:

119B.12 [SLIDING FEE SCALE.]

Subdivision 1. [FEE SCHEDULE.] In setting the sliding fee schedule, the commissioner shall exclude from the amount of income used to determine eligibility an amount for federal and state income and social security taxes attributable to that income level according to federal and state standardized tax tables. The commissioner shall base the parent fee on the ability of the family to pay for child care. The fee schedule must be designed to use any available tax credits.

Subd. 2. [PARENT FEE.] A family's monthly parent fee must be a fixed percentage of its annual gross income. Parent fees must apply to families eligible for child care assistance under sections 119B.03 and 119B.05. Income must be as defined in section 119B.01, subdivision 12. The fixed percent is based on the relationship of the family's annual gross income to 100 percent of state median income. Beginning January 1, 1998, parent fees must begin at 75 percent of the poverty level. The minimum parent fees for families between 75 percent and 100 percent of poverty level must be \$5 per month. Parent fees for families with incomes at or above the poverty level must not decrease due to the addition of family members after the family's initial eligibility determination. Parent fees must be established in rule and must provide for graduated movement to full payment.

Sec. 38. Minnesota Statutes 1996, section 119B.13, subdivision 1, is amended to read:

Subdivision 1. [SUBSIDY RESTRICTIONS.] Effective July 1, 1991, the maximum rate paid for child care assistance under the child care fund is the maximum rate eligible for federal reimbursement. The rate may not exceed the 75th percentile rate for like-care arrangements in the county as surveyed by the commissioner. A rate which includes a provider bonus paid under subdivision 2 or a special needs rate paid under subdivision 3 may be in excess of the maximum rate allowed under this subdivision. The department of children, families, and learning shall monitor the effect of this paragraph on provider rates. The county shall pay the provider's full charges for every child in care up to the maximum established. The commissioner shall determine the maximum rate for each type of care, including special needs and handicapped care. Not less than once every two years, the county shall evaluate rates for payment of absent spaces and shall establish policies for payment of absent days that reflect current market practice.

When the provider charge is greater than the maximum provider rate allowed, the parent is responsible for payment of the difference in the rates in addition to any family copayment fee.

Sec. 39. Minnesota Statutes 1996, section 119B.13, is amended by adding a subdivision to read:

Subd. 8. [PROVIDER NOTICE.] The county shall inform both the family receiving assistance under chapter 119B and the child care provider of the payment amount and how and when payment will be received. If the county sends a family a notice that child care assistance will be terminated, the county shall inform the provider that unless the family requests to continue to receive assistance pending an appeal, child care payments will no longer be made. The notice to the vendor must not contain any private data on the family or information on why payment will no longer be made.

Sec. 40. Minnesota Statutes 1996, section 119B.13, is amended by adding a subdivision to read:

Subd. 9. [PROVIDER PAYMENTS.] Counties shall make vendor payments to the child care provider or pay the parent directly for eligible child care expenses. If payments for child care assistance are made to providers, the provider shall bill the county for services provided within ten days of the end of the month of service. If bills are submitted in accordance with the provisions of subdivision 6, a county shall issue payment to the provider of child care under the child care fund within 30 days of receiving an invoice from the provider. Counties may establish policies that make payments on a more frequent basis. A county's payment policies must be included in the county's child care plan under section 119B.08, subdivision 3.

Sec. 41. Minnesota Statutes 1996, section 119B.15, is amended to read:

119B.15 [ADMINISTRATIVE EXPENSES.]

The commissioner shall use up to ~~one-eleventh~~ 1/21 of the state and federal funds available for the basic sliding fee program and 1/21 of the state and federal funds available for the AFDC child care program for payments to counties for administrative expenses.

Sec. 42. Minnesota Statutes 1996, section 119B.16, subdivision 1, is amended to read:

Subdivision 1. [FAIR HEARING ALLOWED.] An applicant or recipient adversely affected by a county agency action may request a fair hearing in accordance with section 256.045, subdivision 3.

Sec. 43. Minnesota Statutes 1996, section 119B.18, is amended by adding a subdivision to read:

Subd. 3. [CHILD DEVELOPMENT EDUCATION AND TRAINING LOANS.] The commissioner shall establish a child development education and training loan program to be administered by the regional child care resource and referral programs. The commissioner shall establish application procedures, eligibility criteria, terms, and other conditions necessary to make educational loans under this section. A single applicant may not receive more than \$1,500 per year under this program. All or part of the loan may be forgiven if the applicant continues to provide child care services for a period of 12 months following the completion of all courses paid for by the educational loan.

Sec. 44. Minnesota Statutes 1996, section 119B.20, subdivision 7, is amended to read:

Subd. 7. [FACILITY IMPROVEMENT EXPENSES.] "Facility improvement expenses" means funds for building improvements, equipment, appropriate technology and software, toys, and supplies needed to establish, expand, or improve a licensed child care facility or a child care program under the jurisdiction of ~~the state~~ a local board of education.

Sec. 45. Minnesota Statutes 1996, section 119B.20, subdivision 9, is amended to read:

Subd. 9. [MINI-GRANTS TECHNICAL ASSISTANCE AWARDS.] "Mini-grants" "Technical assistance awards" means child care grants to family child care providers for facility improvements that are up to \$1,000. Mini-grants Awards include, but are not limited to, improvements to meet licensing requirements, improvements to expand a child care facility or program, appropriate technology and software, toys and equipment, start-up costs, staff training, and development costs.

Sec. 46. Minnesota Statutes 1996, section 119B.20, subdivision 10, is amended to read:

Subd. 10. [RESOURCE AND REFERRAL PROGRAM.] "Resource and referral program" means a program that provides information to parents, including referrals and coordination of community child care resources for parents and public or private providers of care. It also means the agency with the duties specified in sections 119B.18 and 119B.19. Services may include parent education, technical assistance for providers, staff development programs, and referrals to social services recruitment of new providers, parent education, training, technical assistance for providers, and referrals to social services.

Sec. 47. Minnesota Statutes 1996, section 119B.21, subdivision 1, is amended to read:

Subdivision 1. [GRANTS ESTABLISHED.] The commissioner shall award grants to develop child care services, including child care service development grants for start-up and facility improvement expenses, interim financing, resource and referral programs, and staff training expenses, and grants for child care resource and referral programs. Child care services service development grants may include mini-grants family child care technical assistance awards up to \$1,000. The commissioner shall develop a grant application form, inform county social service agencies about the availability of child care services grants, and set a date by which applications must be received by the commissioner.

~~The commissioner may renew grants to existing resource and referral agencies that have met state standards and have been designated as the child care resource and referral service for a particular geographical area. The recipients of renewal grants are exempt from the proposal review process.~~

Sec. 48. Minnesota Statutes 1996, section 119B.21, subdivision 2, is amended to read:

Subd. 2. [DISTRIBUTION OF FUNDS.] (a) The commissioner shall allocate grant money appropriated for child care service development among the development regions designated by the governor under section 462.385, as follows considering the following factors for each economic development region:

~~(1) 50 percent of the child care service development grant appropriation shall be allocated to the metropolitan economic development region; and~~

~~(2) 50 percent of the child care service development grant appropriation shall be allocated to economic development regions other than the metropolitan economic development region.~~

~~(b) The following formulas shall be used to allocate grant appropriations among the economic development regions:~~

~~(1) 50 percent of the funds shall be allocated in proportion to the ratio of children under 12 years of age in each economic development region to the total number of children under 12 years of age in all economic development regions; and~~

~~(2) 50 percent of the funds shall be allocated in proportion to the ratio of children under 12 years of age in each economic development region to the number of licensed child care spaces currently available in each economic development region~~

~~(1) the number of children under 13 years of age needing child care in the service area;~~

~~(2) the geographic area served by the agency;~~

~~(3) the ratio of children under 13 years of age needing child care to the number of licensed spaces in the service area;~~

~~(4) the number of licensed child care providers and extended day school age child care programs in the service area; and~~

~~(5) other related factors determined by the commissioner.~~



(e) (b) Out of the amount allocated for each economic development region, the commissioner shall award grants based on the recommendation of the ~~grant review~~ child care regional advisory task force committees. In addition, the commissioner shall award no more than 75 percent of the money either to child care facilities for the purpose of facility improvement or interim financing or to child care workers for staff training expenses.

(d) (c) Any funds unobligated may be used by the commissioner to award grants to proposals that received funding recommendations by the ~~advisory task force~~ regional advisory committees but were not awarded due to insufficient funds.

(e) (d) The commissioner may allocate grants under this section for a two-year period and may carry forward funds from the first year as necessary.

Sec. 49. Minnesota Statutes 1996, section 119B.21, subdivision 3, is amended to read:

Subd. 3. [CHILD CARE REGIONAL ADVISORY COMMITTEES.] Child care regional advisory committees shall review and make recommendations to the commissioner on applications for family child care technical assistance awards and service development grants under this section. The commissioner shall appoint the child care regional advisory committees in each governor's economic development region. People appointed under this subdivision must represent the following constituent groups: family child care providers, group center providers, parent users, health services, social services, public schools, Head Start, employers, and other citizens with demonstrated interest in child care issues. Members of the advisory task force with a direct financial interest in a pending grant proposal may not provide a recommendation or participate in the ranking of that grant proposal. Committee members may be reimbursed for their actual travel, child care, and child care provider substitute expenses for up to six committee meetings per year. The child care regional advisory committees shall complete their reviews and forward their recommendations to the commissioner by the date specified by the commissioner.

Sec. 50. Minnesota Statutes 1996, section 119B.21, subdivision 4, is amended to read:

Subd. 4. [DISTRIBUTION OF FUNDS FOR CHILD CARE RESOURCE AND REFERRAL PROGRAMS.] (a) The commissioner shall allocate funds appropriated for child care resource and referral services considering the following factors for each economic development region served by the child care resource and referral agency:

- (1) the number of children under 13 years of age needing child care in the service area;
- (2) the geographic area served by the agency;
- (3) the ratio of children under 13 years of age needing care to the number of licensed spaces in the service area;
- (4) the number of licensed child care providers and extended day school age child care programs in the service area; and
- (5) other related factors determined by the commissioner.

(b) The commissioner may renew grants to existing resource and referral agencies that have met state standards and have been designated as the child care resource and referral service for a particular geographical area. The recipients of renewal grants are exempt from the proposal review process.

Sec. 51. Minnesota Statutes 1996, section 119B.21, subdivision 5, is amended to read:

Subd. 5. [PURPOSES FOR WHICH A CHILD CARE SERVICES GRANT MAY BE AWARDED.] The commissioner may award grants for ~~any of the following purposes:~~

- (1) child care service development grants for the following purposes:
  - (i) for creating new licensed day care facilities and expanding existing facilities, including, but not limited to, supplies, equipment, facility renovation, and remodeling;

~~(2) (ii) for improving licensed day care facility programs, including, but not limited to, staff specialists, staff training, supplies, equipment, and facility renovation and remodeling. In awarding grants for training, priority must be given to child care workers caring for infants, toddlers, sick children, children in low-income families, and children with special needs;~~

~~(3) (iii) for supportive child development services including, but not limited to, in-service training, curriculum development, consulting specialist, resource centers, and program and resource materials;~~

~~(4) (iv) for carrying out programs including, but not limited to, staff, supplies, equipment, facility renovation, and training;~~

~~(5) (v) for interim financing; and~~

~~(6) for carrying out the resource and referral program services identified in section 119B.19, subdivision 3 (vi) family child care technical assistance awards; and~~

~~(vii) for capacity building through the purchase of appropriate technology and software, and staff training to create, enhance, and maintain financial systems for facilities;~~

(2) child care resource and referral program services identified in section 119B.19, subdivision 3; or

(3) targeted recruitment initiatives to expand and build capacity of the child care system.

Sec. 52. Minnesota Statutes 1996, section 119B.21, subdivision 6, is amended to read:

Subd. 6. [FUNDING PRIORITIES; FACILITY IMPROVEMENT AND, INTERIM FINANCING, AND TRAINING GRANTS.] In evaluating applications for funding and making recommendations to the commissioner, the ~~grant review advisory task force~~ child care regional advisory committees shall rank and give priority to:

(1) new programs or projects, or the expansion or improvement of existing programs or projects in areas where a demonstrated need for child care facilities has been shown, with special emphasis on programs or projects in areas where there is a shortage of licensed child care;

(2) new programs and projects, or the expansions or enrichment of existing programs or projects that serve sick children, infants or toddlers, children with special needs, and children from low-income families, or parents needing child care during nonstandard hours;

(3) unlicensed providers who wish to become licensed; ~~and~~

(4) improvement of existing programs;

(5) child care programs seeking accreditation and child care providers seeking certification; and

(6) entities that will use grant money for scholarships for child care workers attending educational or training programs sponsored by the entity.

Sec. 53. Minnesota Statutes 1996, section 119B.21, subdivision 8, is amended to read:

Subd. 8. [ELIGIBLE GRANT RECIPIENTS.] Eligible recipients of child care grants are licensed providers of child care, or those in the process of being licensed, resource and referral programs, or corporations or public agencies, or any combination thereof. ~~With the exception of mini-grants, priority for child care grants shall be given to grant applicants as follows:~~

~~(1) public and private nonprofit agencies;~~

~~(2) employer-based child care centers;~~

~~(3) for-profit child care centers; and~~

~~(4) family day care providers.~~

Sec. 54. Minnesota Statutes 1996, section 119B.21, subdivision 9, is amended to read:

Subd. 9. [GRANT MATCH REQUIREMENTS.] Child care grants for facility improvements, interim financing, resource and referral, and staff training and development require a 25 percent local match by the grant applicant. A local match is not required for a minigrant family child care technical assistance award.

Sec. 55. Minnesota Statutes 1996, section 119B.21, subdivision 10, is amended to read:

Subd. 10. [~~CHILD CARE MINI-GRANTS~~ FAMILY CHILD CARE TECHNICAL ASSISTANCE AWARDS.] Mini-grants Technical assistance awards for child care service development must be used by the family child care provider grantee for facility improvements, including, but not limited to, improvements to meet licensing requirements, improvements to expand the facility, toys and equipment, start-up costs, interim financing, or staff training and development. Priority for child care mini-grants shall be given to grant applicants as follows:

- (1) ~~family day care providers;~~
- (2) ~~public and private nonprofit agencies;~~
- (3) ~~employer-based child care centers; and~~
- (4) ~~for-profit child care centers.~~

Sec. 56. Minnesota Statutes 1996, section 119B.21, subdivision 11, is amended to read:

Subd. 11. [ADVISORY TASK FORCE.] ~~The commissioner shall~~ may convene a statewide advisory task force which shall advise the commissioner on grants ~~and~~ or other child care issues. ~~The statewide advisory task force shall review and make recommendations to the commissioner on child care resource and referral grants and on statewide service development and child care training grants. Members of the advisory task force with a direct financial interest in a resource and referral or a statewide training proposal may not provide a recommendation or participate in the ranking of that grant proposal. The following constituent groups must be represented: family child care providers, center providers, parent users, health services, social services, Head Start, public schools, employers, and other citizens with demonstrated interest in child care issues. Each regional grant review committee formed under subdivision 3, shall appoint a representative to the advisory task force. Additional members may be appointed by the commissioner. The commissioner may convene meetings of the task force as needed. Terms of office and removal from office are governed by the appointing body. The commissioner may compensate members for their travel, child care, and child care provider substitute expenses for meetings of the task force. The members of the child care advisory task force shall also meet once with the interagency advisory committee on child care under section 256H.25.~~

Sec. 57. [119B.25] [CHILD CARE IMPROVEMENT GRANTS.]

Subdivision 1. [PURPOSE.] The purpose of this section is to enhance and expand child care sites, to encourage private investment in child care and early childhood education sites, to promote availability of quality, affordable child care throughout Minnesota, and to provide for cooperation between private nonprofit child care organizations, family child care and center providers and the department.

Subd. 2. [GRANTS.] The commissioner shall distribute money provided by this section through a grant to a nonprofit corporation organized to plan, develop, and finance early childhood education and child care sites. The nonprofit corporation must have demonstrated the ability to analyze financing projects, have knowledge of other sources of public and private financing for child care and early childhood education sites, and have a relationship with the resource and referral programs under section 119B.18. The board of directors of the nonprofit corporation must include members who are knowledgeable about early childhood education, child care, development and improvement, and financing. The commissioners of the departments of children, families, and learning and trade and economic development, and the commissioner of the housing finance agency shall advise the board on the loan program. The grant must be used to make loans

to improve child care or early childhood education sites, or loans to plan, design, and construct or expand licensed and legal unlicensed sites to increase the availability of child care or early childhood education. All loans made by the nonprofit corporation must comply with section 363.03, subdivision 8.

Subd. 3. [FINANCING PROGRAM.] A nonprofit corporation that receives a grant under this section shall use the money to:

(1) establish a revolving loan fund to make loans to existing, expanding, and new licensed and legal unlicensed child care and early childhood education sites;

(2) establish a fund to guarantee private loans to improve or construct a child care or early childhood education site;

(3) establish a fund to provide forgivable loans or grants to match all or part of a loan made under this section; and

(4) establish a fund as a reserve against bad debt.

The nonprofit corporation shall establish the terms and conditions for loans and loan guarantees including, but not limited to, interest rates, repayment agreements, private match requirements, and conditions for loan forgiveness. The nonprofit corporation shall establish a minimum interest rate for loans to ensure that necessary loan administration costs are covered. The nonprofit corporation may use interest earnings for administrative expenses.

Subd. 4. [REPORTING.] A nonprofit corporation that receives a grant under this section shall:

(1) annually report by September 30 to the commissioner the purposes for which the money was used in the past fiscal year, including a description of projects supported by the financing, an account of loans made during the calendar year, the financing program's assets and liabilities, and an explanation of administrative expenses; and

(2) annually submit to the commissioner a copy of the report of an independent audit performed in accordance with generally accepted accounting practices and auditing standards.

Sec. 58. Minnesota Statutes 1996, section 121.8355, subdivision 1, is amended to read:

Subdivision 1. [ESTABLISHMENT.] (a) In order to qualify as a family services collaborative, a minimum of one school district, one county, one public health entity, one community action agency as defined in section 268.53, and one Head Start grantee if the community action agency is not the designated federal grantee for the Head Start program must agree in writing to provide coordinated family services and commit resources to an integrated fund. Collaboratives are expected to have broad community representation, which may include other local providers, including additional school districts, counties, and public health entities, other municipalities, public libraries, existing culturally specific community organizations, tribal entities, local health organizations, private and nonprofit service providers, child care providers, local foundations, community-based service groups, businesses, local transit authorities or other transportation providers, community action agencies under section 268.53, senior citizen volunteer organizations, parent organizations, parents, and sectarian organizations that provide nonsectarian services.

(b) Community-based collaboratives composed of representatives of schools, local businesses, local units of government, parents, students, clergy, health and social services providers, youth service organizations, and existing culturally specific community organizations may plan and develop services for children and youth. A community-based collaborative must agree to collaborate with county, school district, community action, and public health entities. Their services may include opportunities for children or youth to improve child health and development, reduce barriers to adequate school performance, improve family functioning, provide community service, enhance self-esteem, and develop general employment skills.

(e) Members of the governing bodies of political subdivisions involved in the establishment of a family services collaborative shall select representatives of the nongovernmental entities listed in

paragraph (a) to serve on the governing board of a collaborative. The governing body members of the political subdivisions shall select one or more representatives of the nongovernmental entities within the family service collaborative.

Sec. 59. Minnesota Statutes 1996, section 124.2615, subdivision 1, is amended to read:

Subdivision 1. [PROGRAM REVIEW AND APPROVAL.] By February 15, 1992, for the 1991-1992 school year or by ~~January 1~~ of ~~May 1~~ preceding subsequent school years, a district must submit to the commissioners of children, families, and learning, and health, human services, and economic security:

- (1) a description of the services to be provided;
- (2) a plan to ensure children at greatest risk receive appropriate services;
- (3) a description of procedures and methods to be used to coordinate public and private resources to maximize use of existing community resources, including school districts, health care facilities, government agencies, neighborhood organizations, and other resources knowledgeable in early childhood development;
- (4) comments about the district's proposed program by the advisory council required by section 121.831, subdivision 7; and
- (5) agreements with all participating service providers.

Each commissioner may review and comment on the program, and make recommendations to the commissioner of children, families, and learning, within 30 days of receiving the plan.

Sec. 60. Minnesota Statutes 1996, section 124.2615, subdivision 2, is amended to read:

Subd. 2. [AMOUNT OF AID.] (a) A district is eligible to receive learning readiness aid if the program plan as required by subdivision 1 has been approved by the commissioner of children, families, and learning. ~~The aid is equal to:~~

- ~~(1) \$200 for fiscal year 1992 and \$300 for fiscal year 1993 times the number of eligible four-year old children residing in the district, as determined according to section 124.2711, subdivision 2; plus~~
- ~~(2) \$100 for fiscal year 1992 and \$300 for fiscal year 1993 times the result of;~~
- ~~(3) the ratio of the number of pupils enrolled in the school district from families eligible for the free or reduced school lunch program to the total number of pupils enrolled in the school district; times~~
- ~~(4) the number of children in clause (1).~~

(b) For fiscal year 1994 1998 and thereafter, a district shall receive learning readiness aid equal to:

- (1) the number of eligible four-year old children in the district times the ratio of 50 percent of the total learning readiness aid for that year to the total number of eligible four-year old children reported to the commissioner for that year; plus
- (2) ~~the number of participating eligible children times the ratio of 15 percent of the total learning readiness aid for that year to the total number of participating eligible children for that year; plus~~
- (3) the number of pupils enrolled in the school district from families eligible for the free or reduced school lunch program times the ratio of ~~35~~ 50 percent of the total learning readiness aid for that year to the total number of pupils in the state from families eligible for the free or reduced school lunch program.

Sec. 61. [EARLY CHILDHOOD PROFESSIONAL DEVELOPMENT.]

The Minnesota Institute for Early Childhood Professional Development shall make recommendations by January 15, 1998, related to the qualifications for child care center staff and family child care providers to the commissioners of human services and children, families, and learning and the Minnesota state legislature. Recommendations must be made in the following areas:

(1) whether the procedures for licensing individuals should be separated from the licensing of the program and physical plant of child care centers and homes;

(2) which entity would be the most appropriate to issue individual licenses;

(3) core competencies which are based on the age of the children served and type of provider; and

(4) the amount of preservice training, experience, and in-service training for child care providers.

Sec. 62. [UNIVERSAL APPLICATION FORM; BASIC SLIDING FEE PROGRAM.]

The commissioner of children, families, and learning shall develop a universal application form for the basic sliding fee program. The commissioner shall make the form available to all counties. Counties may use the universal application form to implement a mail application process for the basic sliding fee program.

Sec. 63. [APPROPRIATIONS.]

Subdivision 1. [DEPARTMENT OF CHILDREN, FAMILIES, AND LEARNING.] The sums indicated in this section are appropriated from the general fund to the department of children, families, and learning for the fiscal years designated. The commissioner shall encourage the use of child care dollars for the development of collaborative partnerships with Head Start and early childhood family education.

Subd. 2. [BASIC SLIDING FEE CHILD CARE.] For child care assistance according to Minnesota Statutes, section 119B.03:

<u>\$41,751,000</u>	<u>.....</u>	<u>1998</u>
<u>\$50,751,000</u>	<u>.....</u>	<u>1999</u>

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

Of this appropriation, the department shall allocate the amount necessary to administer the at-home child care program under section 22.

Subd. 3. [TANF CHILD CARE.] For child care assistance according to Minnesota Statutes, section 119B.05:

<u>\$34,331,000</u>	<u>.....</u>	<u>1998</u>
<u>\$64,838,000</u>	<u>.....</u>	<u>1999</u>

Up to \$500,000 of the fiscal year 1998 appropriation may be used for grants under section 23.

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

Subd. 4. [CHILD CARE ADMINISTRATION.] For administration of child care assistance programs according to Minnesota Statutes, sections 119B.03 and 119B.05, and development programs according to Minnesota Statutes, section 119B.21:

<u>\$826,000</u>	<u>.....</u>	<u>1998</u>
<u>\$232,000</u>	<u>.....</u>	<u>1999</u>

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

Of the fiscal year 1998 appropriation, \$594,000 is a one-time appropriation and is not to be added to the permanent base.

Subd. 5. [CHILD CARE DEVELOPMENT.] For child care development grants according to Minnesota Statutes, section 119B.21:

<u>\$5,865,000</u>	<u>.....</u>	<u>1998</u>
<u>\$1,865,000</u>	<u>.....</u>	<u>1999</u>

Of the fiscal year 1998 appropriation, up to \$2,000,000 is for the following grants:

(1) a grant to the Minnesota licensed family child care association for statewide implementation of the family child care mentorship model developed by the association;

(2) a grant to the Minnesota child care apprentice/mentor program to modify the apprentice/mentor program for statewide implementation through the child care careers program of the community/technical college system;

(3) a grant to expand project impact, which prepares child care providers and staff who are members of a community of color, as that term is defined in Minnesota Statutes, section 257.076, subdivision 3, to meet or exceed the education and experience requirements of assistant teachers, teachers, and family day care providers in licensed child care programs;

(4) expansion of the Minnesota child care apprentice/mentor program, which prepares child care center staff to meet or exceed the education and experience requirements of teachers in licensed child care centers;

(5) grants to the regional child care resource and referral programs under Minnesota Statutes, section 119B.18, and education and training loans made by the regional child care resource and referral programs under the loan program established in section 119B.18. No more than 2.5 percent of this appropriation may be used for administration of the loan program; and

(6) a grant to a nonprofit corporation under Minnesota Statutes, section 119B.25. Up to five percent of the grant may be used by the department and the nonprofit corporation to administer the loan program including costs associated with setting up an information system to administer child care and early childhood education facility loans."

Delete the title and insert:

"A bill for an act relating to family and early childhood education; providing for community and prevention programs; promoting self-sufficiency; providing for child care; establishing grant programs; appropriating money; amending Minnesota Statutes 1996, sections 12.21, subdivision 3; 15.53, subdivision 2; 119A.01, subdivision 3; 119A.04, subdivision 6, and by adding a subdivision; 119A.13, subdivisions 2, 3, and 4; 119A.14; 119A.15, subdivisions 2, 5, and by adding a subdivision; 119A.16; 119A.31, subdivision 1; 119B.01, subdivisions 8, 9, 12, 15, 16, 17, and by adding subdivisions; 119B.02; 119B.03, subdivisions 3, 4, 5, 6, 7, 8, and by adding subdivisions; 119B.04; 119B.05, subdivisions 1, 5, 6, and by adding a subdivision; 119B.07; 119B.08, subdivisions 1 and 3; 119B.09, subdivisions 1, 2, and by adding subdivisions; 119B.10, subdivision 1; 119B.11, subdivisions 1, 3, and by adding a subdivision; 119B.12; 119B.13, subdivision 1, and by adding subdivisions; 119B.15; 119B.16, subdivision 1; 119B.18, by adding a subdivision; 119B.20, subdivisions 7, 9, and 10; 119B.21, subdivisions 1, 2, 3, 4, 5, 6, 8, 9, 10, and 11; 120.05, subdivision 2; 121.11, by adding a subdivision; 121.831, subdivisions 3 and 4; 121.8355, subdivision 1; 121.88, subdivisions 1, 10, and by adding a subdivision; 121.882, subdivision 2; 124.17, subdivision 2e; 124.26, subdivision 2; 124.2601, subdivisions 3, 4, 5, and 6; 124.261, subdivision 1; 124.2615, subdivisions 1 and 2; 124.2711, subdivisions 1 and 2a; 124.2713, subdivisions 6 and 8; 124.2716, subdivision 3; 268.53, subdivision 5; 268.912; 268.913, subdivisions 2 and 4; 268.914, subdivision 1; and 517.08, subdivision 1c; Laws 1996, chapter 463, section 4, subdivision 2, as amended; proposing coding for new law in Minnesota Statutes, chapters 119A; and 119B; repealing Minnesota Statutes 1996, sections 119B.03, subdivision 7;

119B.05, subdivisions 2 and 3; 119B.11, subdivision 2; 119B.19, subdivision 2; 119B.21, subdivision 7; 121.8355, subdivision 1a; and 268.913, subdivision 5."

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

House Conferees: (Signed) Anthony G. "Tony" Kinkel, Mary Jo McGuire, Carlos Mariani, Barbara Sykora, Richard Mulder

Senate Conferees: (Signed) Pat Piper, Becky Lourey, Arlene J. Lesewski, Claire A. Robling

Ms. Piper moved that the foregoing recommendations and Conference Committee Report on H.F. No. 2147 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.

H.F. No. 2147 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 0, as follows:

Those who voted in the affirmative were:

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

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

### MESSAGES FROM THE HOUSE - CONTINUED

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. 753, and repassed said bill in accordance with the report of the Committee, so adopted.

House File No. 753 is herewith transmitted to the Senate.

Edward A. Burdick, Chief Clerk, House of Representatives

Transmitted May 12, 1997

### CONFERENCE COMMITTEE REPORT ON H.F. NO. 753

A bill for an act relating to financial institutions; authorizing facsimile or electronic filings and certifications; regulating the powers and structure of certain institutions; regulating consumer credit; modifying lending authority; regulating fees and charges; making technical and conforming changes; amending Minnesota Statutes 1996, sections 46.04, by adding a subdivision; 46.044, by adding a subdivision; 46.046, by adding a subdivision; 46.047, subdivision 2; 46.07, subdivision 2; 46.131, subdivision 2; 47.20, subdivisions 9 and 14; 47.55, subdivision 1; 47.56; 47.59,



subdivisions 1 and 12; 47.61, subdivision 3; 48.01, subdivision 2; 48.09, by adding a subdivision; 48.15, subdivision 2; 48.24, subdivision 2, and by adding a subdivision; 48.512, by adding subdivisions; 48.61, subdivision 7, and by adding a subdivision; 49.215, subdivision 3; 49.33; 49.42; 50.245; 51A.38, subdivision 1; 52.04, subdivision 2a, and by adding a subdivision; 52.062, subdivision 1, and by adding a subdivision; 52.063; 52.064, by adding a subdivision; 52.201; 53.04, by adding a subdivision; 53.05; 53.09, subdivision 2a; 55.06, subdivision 1; 56.07; 56.10, subdivision 1; 56.131, subdivisions 1 and 4; 59A.08, subdivision 3, and by adding a subdivision; 59A.11, subdivisions 2 and 3; 62B.04, subdivision 1; 300.20, subdivision 2; 303.25, subdivision 5; 325F.68, subdivision 2; 332.21; 332.23, subdivisions 2 and 5; proposing coding for new law in Minnesota Statutes, chapter 48; repealing Minnesota Statutes 1996, sections 13.99, subdivision 13; 47.29; 47.31; 47.32; 49.47; 49.48; 50.03; 50.23; and 59A.14.

May 9, 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. 753, report that we have agreed upon the items in dispute and recommend as follows:

That the Senate recede from its amendment and that H.F. No. 753 be further amended as follows:

Delete everything after the enacting clause and insert:

"Section 1. Minnesota Statutes 1996, section 46.04, is amended by adding a subdivision to read:

Subd. 4. [APPLICATIONS, FACSIMILE OR ELECTRONIC MEDIA.] (a) The commissioner when providing forms and procedural guidance to persons governed by or seeking approval to operate under the chapters referred to in this section may prescribe alternatives to paper forms and delivery in person or by mail. In considering accepting filings by facsimile or electronic media, the commissioner may accept fees and reimbursement for costs associated with the applications and notices by wire transfer and debit card.

(b) Certifications required to authenticate, officiate, or establish standing of the application or notice as a matter of law, rule, or sound business practice may be authenticated in an alternative to paper-based original signatures or notarial seals on facsimile or electronic media submissions in a technically competent means at the discretion of the commissioner, including but not limited to, document imaging meeting the standard in subdivision 3, bar coding, personal identification numbers, or other reliable communicated verification technique.

Sec. 2. Minnesota Statutes 1996, section 46.044, is amended by adding a subdivision to read:

Subd. 3. [SPECIAL PURPOSE BANKS, EXCEPTIONS.] For purposes of applications to organize and operate special purpose banks as defined in section 46.046, subdivision 5, the conditions in subdivision 1, clauses (2) and (4), do not apply.

Sec. 3. Minnesota Statutes 1996, section 46.046, is amended by adding a subdivision to read:

Subd. 5. [SPECIAL PURPOSE BANK.] Special purpose bank means a bank as defined in subdivision 2 that:

(1) engages only in credit card operations as authorized in section 47.59;

(2) does not accept demand deposits or deposits that the depositor may withdraw by check or similar means for payment to third parties or others;

(3) does not accept savings or time deposits of less than \$100,000;

(4) maintains only one office that accepts deposits; and

(5) does not engage in the business of making commercial loans.

Sec. 4. Minnesota Statutes 1996, section 46.047, subdivision 2, is amended to read:

Subd. 2. [BANKING INSTITUTION.] The term "banking institution" means a bank, trust company, bank and trust company, savings bank, or industrial loan and thrift institution operating under section 53.04, subdivision 5, that is organized under the laws of this state, or a holding company which owns or otherwise controls the banking institution.

Sec. 5. Minnesota Statutes 1996, section 46.07, subdivision 2, is amended to read:

Subd. 2. [CONFIDENTIAL RECORDS.] The commissioner shall divulge facts and information obtained in the course of examining financial institutions under the commissioner's supervision only when and to the extent required or permitted by law to report upon or take special action regarding the affairs of an institution, or ordered by a court of law to testify or produce evidence in a civil or criminal proceeding, except that the commissioner may furnish information as to matters of mutual interest to an official or examiner of the federal reserve system, the Federal Deposit Insurance Corporation, the Federal Office of Thrift Supervision, the Federal Home Loan Bank System, the National Credit Union Administration, comptroller of the currency, a legally constituted state credit union share insurance corporation approved under section 52.24 other state bank supervisory agencies subject to cooperative agreements authorized by section 49.411, subdivision 7, the United States Small Business Administration, for purposes of sections 53.09, subdivision 2a, and 56.10, subdivision 1, or state and federal law enforcement agencies. The commissioner shall not be required to disclose the name of a debtor of a financial institution under the commissioner's supervision, or anything relative to the private accounts, ownership, or transactions of an institution, or any fact obtained in the course of an examination thereof, except as herein provided. For purposes of this subdivision, a subpoena is not an order of a court of law. These records are classified confidential or protected nonpublic for purposes of the Minnesota government data practices act and their destruction, as prescribed in section 46.21, is exempt from the provisions of chapter 138 and Laws 1971, chapter 529, so far as their deposit with the state archives.

Sec. 6. Minnesota Statutes 1996, section 46.131, subdivision 2, is amended to read:

Subd. 2. Each bank, trust company, savings bank, savings association, ~~small loan company~~ regulated lender, industrial loan and thrift company, credit union, motor vehicle sales finance company, debt prorating agency and insurance premium finance company organized under the laws of this state or required to be administered by the commissioner of commerce shall pay into the state treasury its proportionate share of the cost of maintaining the department of commerce.

Sec. 7. Minnesota Statutes 1996, section 47.20, subdivision 9, is amended to read:

Subd. 9. For purposes of this subdivision the term "mortgagee" shall mean all state banks and trust companies, national banking associations, state and federally chartered savings associations, mortgage banks, savings banks, insurance companies, credit unions or assignees of the above.

(a) Each mortgagee requiring funds of a mortgagor to be paid into an escrow, agency or similar account for the payment of taxes or homeowner's insurance premiums with respect to a mortgaged one-to-four family, owner occupied residence located in this state, unless the account is required by federal law or regulation or maintained in connection with a conventional loan in an original principal amount in excess of 80 percent of the lender's appraised value of the residential unit at the time the loan is made or maintained in connection with loans insured or guaranteed by the secretary of housing and urban development, by the administrator of veterans affairs, or by the administrator of the farmers home administration or any successor, shall calculate interest on such funds at a rate of not less than three percent per annum. Such interest shall be computed on the average monthly balance in such account on the first of each month for the immediately preceding 12 months of the calendar year or such other fiscal year as may be uniformly adopted by the mortgagee for such purposes and shall be annually credited to the remaining principal balance on

the mortgage, or at the election of the mortgagee, paid to the mortgagor or credited to the mortgagor's account. If the interest exceeds the remaining balance, the excess shall be paid to the mortgagor or vendee. The requirement to pay interest shall apply to such accounts created in conjunction with mortgage loans made prior to July 1, 1996.

(b) Unless the account is exempt from the requirements of paragraph (a), a mortgagee shall allow a mortgagor to elect to discontinue the escrow account escrowing for taxes and homeowner's insurance after the seventh anniversary of the date of the mortgage, unless the mortgagor has been more than 30 days delinquent in the previous 12 months. This paragraph shall apply to accounts created prior to July 1, 1996, as well as to accounts created on or after July 1, 1996. The mortgagor's election shall be in writing. The lender or mortgage broker shall, with respect to mortgages made on or after August 1, 1997, notify an applicant for a mortgage of the applicant's rights under this paragraph. This notice shall be given at or prior to the closing of the mortgage loan and shall read substantially as follows:

"NOTICE OF RIGHT TO DISCONTINUE ESCROW

If your mortgage loan involves an escrow account for taxes and homeowner's insurance, you may have the right in five years to discontinue the account and pay your own taxes and homeowners insurance. If you are eligible to discontinue the escrow account, you will be notified in five years."

If the escrow account has a negative balance or a shortage at the time the mortgagor requests discontinuance, the mortgagee is not obligated to allow discontinuance until the escrow account is balanced or the shortage has been repaid.

(c) The mortgagee shall notify the mortgagor within 60 days after the seventh anniversary of the date of the mortgage if the right to discontinue the escrow account is in accordance with paragraph (b). For mortgage loans entered into, on or prior to July 1, 1989, the notice required by this paragraph shall be provided to the mortgagor by January 1, 1997.

(d) Effective January 1, 1998, the requirements of paragraph (b), regarding the mortgagor's election to discontinue the escrow account, and paragraph (c), regarding notification to mortgagor, shall apply when the fifth anniversary of the date of the mortgage has been reached.

~~(d)~~ (e) A mortgagee may require the mortgagor to reestablish the escrow account if the mortgagor has failed to make timely payments for two consecutive payment periods at any time during the remaining term of the mortgage, or if the mortgagor has failed to pay taxes or insurance premiums when due. A payment received during a grace period shall be deemed timely.

(e) (f) The mortgagee shall, subject to paragraph (b), return any funds remaining in the account to the mortgagor within 60 days after receipt of the mortgagor's written notice of election to discontinue the escrow account.

~~(f)~~ (g) The mortgagee shall not charge a direct fee for the administration of the escrow account, nor shall the mortgagee charge a fee or other consideration for allowing the mortgagor to discontinue the escrow account.

Sec. 8. Minnesota Statutes 1996, section 47.20, subdivision 14, is amended to read:

Subd. 14. (a) A lender requiring or offering private mortgage insurance shall make available to the borrower or other person paying the insurance premium the same premium payment plans as are available to the lender in paying the private mortgage insurance premium.

(b) Any refund or rebate for unearned private mortgage insurance premiums shall be paid to the borrower or other person actually providing the funds for payment of the premium.

(c) With regard to first mortgage loans made before, on, or after January 1, 1997, the mortgagor shall have the right to elect, in writing, to cancel borrower-purchased private mortgage insurance if all of the following terms and conditions have been met:

(1) if the current unpaid principal balance of a first mortgage is 75 percent or less of the current fair market appraised value of the property. "Current fair market appraised value" shall be based upon a current appraisal by a real estate appraiser licensed or certified by the appropriate state or federal agency and reasonably acceptable to the lender. The lender may require the mortgagor to pay for the appraisal;

(2) the mortgagor's monthly installments of principal, interest, and escrow obligations have not been more than 30 days past due over the 24-month period immediately preceding the request for cancellation and all accrued late charges have been paid;

(3) the mortgage was made at least 24 months prior to the receipt of a request for cancellation of private mortgage insurance;

(4) the property securing the mortgage is owner-occupied; and

(5) the mortgage has not been pooled with other mortgages in order to constitute, in whole or in part, collateral for bonds issued by the state of Minnesota or any political subdivision of the state of Minnesota or of any agency of any political subdivision of the state of Minnesota.

(d) Other than the appraisal fee allowed pursuant to paragraph (c), clause (1), the lender shall not charge the borrower a fee or other consideration for cancellation of the private mortgage insurance.

(e) With respect to all existing or future first mortgage loans, a lender requiring private mortgage insurance shall, after the payment of the 24th monthly premium installment of private mortgage insurance, provide an annual written notice to each mortgagor currently paying premiums for private mortgage insurance. The notice may be included in the annual statement or may be included in other regular mailings to the mortgagor. For mortgage loans made prior to January 1, 1996, the first required annual notice must be provided no later than January 31, 1998. The annual notice shall be on its own page, unless included in a private mortgage insurance notice required under the federal Real Estate Settlement Procedures Act, and shall appear substantially as follows:

**"NOTICE OF RIGHT TO CANCEL PRIVATE MORTGAGE INSURANCE**

If you currently pay private mortgage insurance premiums, you may have the right to cancel the insurance and cease paying premiums. This would permit you to make a lower total monthly mortgage payment. In most cases, you have the right to cancel private mortgage insurance if the principal balance of your loan is 80 percent or less of the current fair market appraised value of your home. If you wish to learn whether you are eligible to cancel this insurance, please contact us at (address/phone)."

(f) If a mortgage loan governed by paragraph (c) is serviced in accordance with the guidelines of either the Federal National Mortgage Association or the Federal Home Loan Mortgage Corporation, the lender shall cancel private mortgage insurance in accordance with the cancellation guidelines of the applicable entity in effect at the time the request for cancellation is received.

Sec. 9. Minnesota Statutes 1996, section 47.206, subdivision 6, is amended to read:

Subd. 6. [PROHIBITED ACTS.] A person, including a lender, may not advise, encourage, or induce a borrower or third party to misrepresent information that is the subject of a loan application or to violate the terms of the agreement. Neither a mortgage lender nor a mortgage broker shall advertise mortgage terms, including interest rate and discount points, which were not available from the lender or broker on the date or dates specified in the advertisement. For purposes of this section, "advertisement" shall include a list or sampler of mortgage terms compiled from information provided by the lender or broker, with or without charge to the lender or broker, by a newspaper, and shall also include advertising on the Internet.

Sec. 10. Minnesota Statutes 1996, section 47.55, subdivision 1, is amended to read:

Subdivision 1. [BANKING FACILITIES IN OPERATION PRIOR TO MAY 1, 1971.] A bank may retain and operate one detached facility as it may have had in operation prior to May 1, 1971 without requirement of approval hereunder, ~~provided that its function is limited as provided in section 47.53 and its location conforms with the provisions of section 47.52.~~ A bank having such a retained detached facility shall be limited to operating five additional detached facilities.

Sec. 11. Minnesota Statutes 1996, section 47.56, is amended to read:

47.56 [TRANSFER OF LOCATION.]

The location of a detached facility transferred to another location outside of a radius of three miles measured in a straight line is subject to the same procedures and approval as required hereunder for establishing a new detached facility, ~~except that.~~ The location of a detached facility transferred to another location within the lesser of a radius of three miles measured in a straight line from the existing location or the municipality, as defined in section 47.51, in which it is located is subject to the same procedures and approval as are required in section 47.101, subdivision 2. The relocation of a detached facility within a municipality of 10,000 or less population shall not require consent of other banks required in section 47.52.

Sec. 12. Minnesota Statutes 1996, section 47.59, subdivision 1, is amended to read:

Subdivision 1. [DEFINITIONS.] For purposes of this section, the following definitions shall apply.

(a) "Actuarial method" has the meaning given the term in the Code of Federal Regulations, title 12, part 226, and appendix J thereto.

(b) "Annual percentage rate" has the meaning given the term in the Code of Federal Regulations, title 12, part 226, but using the definition of "finance charge" used in this section.

(c) "Borrower" means a debtor under a loan or a purchaser or debtor under a credit sale contract.

(d) "Business purpose" means a purpose other than a personal, family, household, or agricultural purpose.

(e) "Cardholder" means a person to whom a credit card is issued or who has agreed with the financial institution to pay obligations arising from the issuance to or use of the card by another person.

(f) "Consumer loan" means a loan made by a financial institution in which:

- (1) the debtor is a person other than an organization;
- (2) the debt is incurred primarily for a personal, family, or household purpose; and
- (3) the debt is payable in installments or a finance charge is made.

(g) "Credit" means the right granted by a financial institution to a borrower to defer payment of a debt, to incur debt and defer its payment, or to purchase property or services and defer payment.

(h) "Credit card" means a card or device issued under an arrangement pursuant to which a financial institution gives to a cardholder the privilege of obtaining credit from the financial institution or other person in purchasing or leasing property or services, obtaining loans, or otherwise. A transaction is "pursuant to a credit card" only if credit is obtained according to the terms of the arrangement by transmitting information contained on the card or device orally, in writing, by mechanical or electronic methods, or in any other manner. A transaction is not "pursuant to a credit card" if the card or device is used solely in that transaction to:

- (1) identify the cardholder or evidence the cardholder's creditworthiness and credit is not obtained according to the terms of the arrangement;

(2) obtain a guarantee of payment from the cardholder's deposit account, whether or not the payment results in a credit extension to the cardholder by the financial institution; or

(3) effect an immediate transfer of funds from the cardholder's deposit account by electronic or other means, whether or not the transfer results in a credit extension to the cardholder by the financial institution.

(i) "Credit sale contract" means a contract evidencing a credit sale. "Credit sale" means a sale of goods or services, or an interest in land, in which:

(1) credit is granted by a seller who regularly engages as a seller in credit transactions of the same kind; and

(2) the debt is payable in installments or a finance charge is made.

(j) "Finance charge" has the meaning given in the Code of Federal Regulations, title 12, part 226, except that the following will not in any event be considered a finance charge:

(1) a charge as a result of default or delinquency under subdivision 6 if made for actual unanticipated late payment, delinquency, default, or other similar occurrence, and a charge made for an extension or deferment under subdivision 5, unless the parties agree that these charges are finance charges;

(2) an additional charge under subdivision 6; or

(3) a discount, if a financial institution purchases a loan at less than the face amount of the obligation or purchases or satisfies obligations of a cardholder pursuant to a credit card and the purchase or satisfaction is made at less than the face amount of the obligation;

(4) fees paid by a borrower to a broker, provided the financial institution or a person described in subdivision 4 does not require use of the broker to obtain credit; or

(5) a commission, expense reimbursement, or other sum received by a financial institution or a person described in subdivision 4 in connection with insurance described in subdivision 6.

(k) "Financial institution" means a state or federally chartered bank, a state or federally chartered bank and trust, a trust company with banking powers, a state or federally chartered saving bank, a state or federally chartered savings association, an industrial loan and thrift company, or a regulated lender.

(l) "Loan" means:

(1) the creation of debt by the financial institution's payment of money to the borrower or a third person for the account of the borrower;

(2) the creation of debt pursuant to a credit card in any manner, including a cash advance or the financial institution's honoring a draft or similar order for the payment of money drawn or accepted by the borrower, paying or agreeing to pay the borrower's obligation, or purchasing or otherwise acquiring the borrower's obligation from the obligee or the borrower's assignee;

(3) the creation of debt by a cash advance to a borrower pursuant to an overdraft line of credit arrangement;

(4) the creation of debt by a credit to an account with the financial institution upon which the borrower is entitled to draw immediately;

(5) the forbearance of debt arising from a loan; and

(6) the creation of debt pursuant to open-end credit.

"Loan" does not include the forbearance of debt arising from a sale or lease, a credit sale contract, or an overdraft from a person's deposit account with a financial institution which is not pursuant to a written agreement to pay overdrafts with the right to defer repayment thereof.

(m) "Official fees" means:

(1) fees and charges which actually are or will be paid to public officials for determining the existence of or for perfecting, releasing, terminating, or satisfying a security interest or mortgage relating to a loan or credit sale, and any separate fees or charges which actually are or will be paid to public officials for recording a notice described in section 580.032, subdivision 1; and

(2) premiums payable for insurance in lieu of perfecting a security interest or mortgage otherwise required by a financial institution in connection with a loan or credit sale, if the premium does not exceed the fees and charges described in clause (1), which would otherwise be payable.

(n) "Organization" means a corporation, government, government subdivision or agency, trust, estate, partnership, joint venture, cooperative, limited liability company, limited liability partnership, or association.

(o) "Person" means a natural person or an organization.

(p) "Principal" means the total of:

(1) the amount paid to, received by, or paid or repayable for the account of, the borrower; and

(2) to the extent that payment is deferred:

(i) the amount actually paid or to be paid by the financial institution for additional charges permitted under this section; and

(ii) prepaid finance charges.

Sec. 13. Minnesota Statutes 1996, section 47.59, subdivision 4, is amended to read:

Subd. 4. [FINANCE CHARGE FOR CREDIT SALES MADE BY A THIRD PARTY.] (a) A person may enter into a credit sale contract for sale to a financial institution and a financial institution may purchase and enforce the contract, if the annual percentage rate provided for in the contract does not exceed that permitted in this section, or, in the case of ~~contracts governed by sections 168.66 to 168.77~~ a retail installment sale of a motor vehicle as defined in section 168.66, the annual percentage rates permitted by subdivision 4a.

(b) The annual percentage rate may not exceed the equivalent of the greater of either of the following:

(1) the total of:

(i) 36 percent per year on that part of the unpaid balances of the amount financed that is \$300 or less;

(ii) 21 percent per year on that part of the unpaid balances of the amount financed which exceeds \$300 but does not exceed \$1,000; and

(iii) 15 percent per year on that part of the unpaid balances of the amount financed which exceeds \$1,000; or

(2) 19 percent per year on the unpaid balances of the amount financed.

(c) This subdivision does not limit or restrict the manner of calculating the finance charge whether by way of add-on, discount, discount points, single annual percentage rate, precomputed charges, variable rate, interest in advance, compounding, or otherwise, if the annual percentage rate calculated under paragraph (d) does not exceed that permitted by this section. The finance charge may be contracted for and earned at the single annual percentage rate that would earn the same finance charge as the graduated rates when the debt is paid according to the agreed terms and the finance charge is calculated under paragraph (d). If the finance charge is calculated and collected in advance, or included in the principal amount of the contract, and the borrower prepays

the contract in full, the financial institution shall credit the borrower with a refund of the charge to the extent the annual percentage rate yield on the contract would exceed the annual percentage rate on the contract as originally determined under paragraph (d) and taking into account the prepayment. For the purpose of calculating the refund under this subdivision, the financial institution may assume that the contract was paid before the date of prepayment according to the schedule of payments under the contract and that all payments were paid on their due dates. For contracts repayable in substantially equal successive monthly installments, the financial institution may calculate the refund as the portion of the finance charge allocable on an actuarial basis to all wholly unexpired payment periods following the date of prepayment, based on the annual percentage rate on the contract as originally determined under paragraph (d), and for the purpose of calculating the refund may assume that all payments are made on the due date.

(d) The annual percentage rate must be calculated in accordance with Code of Federal Regulations, title 12, part 226, except that the following will not in any event be considered a finance charge:

(1) a charge as a result of delinquency or default under subdivision 6 if made for actual unanticipated late payment, delinquency, default, or other similar occurrence, and a charge made for an extension or deferment under subdivision 5, unless the parties agree that these charges are finance charges;

(2) an additional charge under subdivision 6; or

(3) a discount, if a financial institution purchases a contract evidencing a credit sale at less than the face amount of the obligation or purchases or satisfies obligations of a cardholder according to a credit card and the purchase or satisfaction is made at less than the face amount of the obligation.

Sec. 14. Minnesota Statutes 1996, section 47.59, subdivision 5, is amended to read:

Subd. 5. [EXTENSIONS, DEFERMENTS, AND CONVERSION TO INTEREST BEARING.] (a) The parties may agree in writing, either in the loan contract or credit sale contract or in a subsequent agreement, to a deferment of wholly unpaid installments. For precomputed loans and credit sale contracts, the manner of deferment charge shall be determined as provided for in this section. A deferment postpones the scheduled due date of the earliest unpaid installment and all subsequent installments as originally scheduled, or as previously deferred, for a period equal to the deferment period. The deferment period is that period during which no installment is scheduled to be paid by reason of the deferment. The deferment charge for a one-month period may not exceed the applicable charge for the installment period immediately following the due date of the last undeferred payment. A proportionate charge may be made for deferment periods of more or less than one month. A deferment charge is earned pro rata during the deferment period and is fully earned on the last day of the deferment period. If a loan or credit sale is prepaid in full during a deferment period, the financial institution shall make or credit to the borrower a refund of the unearned deferment charge in addition to any other refund or credit made for prepayment of the loan or credit sale in full.

For the purpose of this subdivision, "applicable charge" means the amount of finance charge attributable to each monthly installment period for the loan or credit sale contract. The applicable charge is computed as if each installment period were one month and any charge for extending the first installment period beyond the one month, or reduction in charge for a first installment less than one month, is ignored. The applicable charge for any installment period is that which would have been made for the period had the loan been made on an interest-bearing basis at the single annual percentage rate provided for in the contract based upon the assumption that all payments were made according to schedule. For convenience in computation, the financial institution may round the single annual rate to the nearest one quarter of one percent.

(b) Subject to a refund of unearned finance or deferment charge required by this section, a financial institution may convert a loan or credit sale contract to an interest bearing balance, if:

(1) the loan contract or credit sale contract so provides and is subject to a change of the terms of the written agreement between the parties; or



(2) the loan contract so provides and two or more installments are delinquent one full month or more on any due date.

~~Thereafter, and in lieu of any other default, extension, or deferment charges, the single annual percentage rate must be determined under the applicable charge provisions of this subdivision~~ the single annual percentage rate and other charges must be determined as provided under this section for interest-bearing transactions.

Sec. 15. Minnesota Statutes 1996, section 47.59, subdivision 6, is amended to read:

Subd. 6. [ADDITIONAL CHARGES.] (a) For purposes of this subdivision, "financial institution" includes a person described in subdivision 4, paragraph (a). In addition to the finance charges permitted by this section, a financial institution may contract for and receive the following additional charges that may be included in the principal amount of the loan or credit sale unpaid balances:

(1) official fees and taxes;

(2) charges for insurance as described in paragraph (b);

(3) with respect to a loan or credit sale contract secured by real estate, the following "closing costs," if they are bona fide, reasonable in amount, and not for the purpose of circumvention or evasion of this section:

(i) fees or premiums for title examination, abstract of title, title insurance, surveys, or similar purposes;

(ii) fees for preparation of a deed, mortgage, settlement statement, or other documents, if not paid to the financial institution;

(iii) escrows for future payments of taxes, including assessments for improvements, insurance, and water, sewer, and land rents;

(iv) fees for notarizing deeds and other documents;

(v) appraisal and credit report fees; and

(vi) fees for determining whether any portion of the property is located in a flood zone and fees for ongoing monitoring of the property to determine changes, if any, in flood zone status;

(4) a delinquency charge on a payment, including the minimum payment due in connection with the open-end credit, not paid in full on or before the tenth day after its due date in an amount not to exceed five percent of the amount of the payment or \$5.20, whichever is greater;

(5) for a returned check or returned automatic payment withdrawal request, an amount not in excess of the service charge limitation in section 332.50; and

(6) charges for other benefits, including insurance, conferred on the borrower that are of a type that is not for credit.

(b) An additional charge may be made for insurance written in connection with the loan or credit sale contract, which may be included in the principal amount of the loan or credit sale unpaid balances:

(1) with respect to insurance against loss of or damage to property, or against liability arising out of the ownership or use of property, if the financial institution furnishes a clear, conspicuous, and specific statement in writing to the borrower setting forth the cost of the insurance if obtained from or through the financial institution and stating that the borrower may choose the person through whom the insurance is to be obtained;

(2) with respect to credit insurance or mortgage insurance providing life, accident, health, or unemployment coverage, if the insurance coverage is not required by the financial institution, and

this fact is clearly and conspicuously disclosed in writing to the borrower, and the borrower gives specific, dated, and separately signed affirmative written indication of the borrower's desire to do so after written disclosure to the borrower of the cost of the insurance; and

(3) with respect to the vendor's single interest insurance, but only (i) to the extent that the insurer has no right of subrogation against the borrower; and (ii) to the extent that the insurance does not duplicate the coverage of other insurance under which loss is payable to the financial institution as its interest may appear, against loss of or damage to property for which a separate charge is made to the borrower according to clause (1); and (iii) if a clear, conspicuous, and specific statement in writing is furnished by the financial institution to the borrower setting forth the cost of the insurance if obtained from or through the financial institution and stating that the borrower may choose the person through whom the insurance is to be obtained.

(c) In addition to the finance charges and other additional charges permitted by this section, a financial institution may contract for and receive the following additional charges in connection with open-end credit, which may be included in the principal amount of the loan or balance upon which the finance charge is computed:

(1) annual charges, not to exceed \$50 per annum, payable in advance, for the privilege of opening and maintaining open-end credit;

(2) charges for the use of an automated teller machine;

(3) charges for any monthly or other periodic payment period in which the borrower has exceeded or, except for the financial institution's dishonor would have exceeded, the maximum approved credit limit, in an amount not in excess of the service charge permitted in section 332.50;

(4) charges for obtaining a cash advance in an amount not to exceed the service charge permitted in section 332.50; and

(5) charges for check and draft copies and for the replacement of lost or stolen credit cards.

(d) In addition to the finance charges and other additional charges permitted by this section, a financial institution may contract for and receive a one-time loan administrative fee not exceeding \$25 in connection with closed-end credit, which may be included in the principal balance upon which the finance charge is computed. This paragraph applies only to closed-end credit in an original principal amount of \$4,320 or less. The determination of an original principal amount must exclude the administrative fee contracted for and received according to this paragraph.

Sec. 16. Minnesota Statutes 1996, section 47.59, subdivision 12, is amended to read:

Subd. 12. [CONSUMER PROTECTIONS.] (a) Financial institutions shall comply with the requirements of the federal Truth in Lending Act, United States Code, title 15, sections 1601 to 1693, in connection with a consumer loan or credit sale for a consumer purpose where the federal Truth in Lending Act is applicable. A financial institution shall give the following disclosure to the borrower in writing at the time an open-end credit account is established if the financial institution imposes a loan fee, points, or similar charge that relates to the opening of the account which is not included in the annual percentage rate given pursuant to the federal Truth in Lending Act: "YOU HAVE BEEN ASSESSED FINANCE CHARGES, OR POINTS, WHICH ARE NOT INCLUDED IN THE ANNUAL PERCENTAGE RATE. THESE CHARGES MAY BE REFUNDED, IN WHOLE OR IN PART, IF YOU DO NOT USE YOUR LINE OF CREDIT OR IF YOU REPAY YOUR LINE OF CREDIT EARLY. THESE CHARGES INCREASE THE COST OF YOUR CREDIT."

(b) Financial institutions shall comply with the following consumer protection provisions in connection with a consumer loan or credit sale for a consumer purpose: sections 325G.02 to 325G.05; 325G.06 to 325G.11; 325G.15 to 325G.22; and 325G.29 to 325G.36, and Code of Federal Regulations, title 12, part 535, where those statutes or regulations are applicable.

(c) An assignment of a consumer's earnings by the consumer to a financial institution as payment or as security for payment of a debt arising out of a consumer loan or consumer credit

sale is unenforceable by the financial institution and ~~revocable by the consumer~~ except where the assignment: (1) by its terms is revocable at the will of the consumer; (2) is a payroll deduction plan or preauthorized payment plan, beginning at the time of the transaction, in which the consumer authorizes a series of wage deductions as a method of making each payment; or (3) applies only to wages or other earnings already earned at the time of the assignment.

Sec. 17. Minnesota Statutes 1996, section 47.61, subdivision 3, is amended to read:

Subd. 3. (a) "Electronic financial terminal" means an electronic information processing device that is established to do either or both of the following:

(1) capture the data necessary to initiate financial transactions; or

(2) through its attendant support system, store or initiate the transmission of the information necessary to consummate a financial transaction.

(b) "Electronic financial terminal" does not include:

(1) a telephone;

(2) an electronic information processing device that is used internally by a financial institution to conduct the business activities of the institution; or

(3) an electronic point-of-sale terminal operated by a retailer that is used to process payments for the purchase of goods and services by consumers, and which also may be used to obtain cash advances or cash back not to exceed \$25 and only if incidental to the retail sale transactions, through the use of credit cards or debit cards, provided that the payment transactions using debit cards are subject to the federal Electronic Funds Transfer Act, United States Code, title 12, sections 1693 et seq., and Regulation E of the Federal Reserve Board, Code of Federal Regulations, title 12, subpart 205.2; this clause does not exempt the retailer from liability for negligent conduct or intentional misconduct of the operator under section 47.69, subdivision 5;

(4) stored-value cards to only process transactions other than those authorized by this section. Stored-value cards are transaction cards having magnetic stripes or computer chips that enable electronic value to be added or deducted as needed; or

(5) a personal computer possessed by and operated exclusively by the account holder.

Sec. 18. Minnesota Statutes 1996, section 47.64, is amended by adding a subdivision to read:

Subd. 7. [PROHIBITION.] An agreement to share electronic financial terminals may not contain provisions distinguishing between cards issued by United States financial institutions and cards issued by Canadian financial institutions relative to a fee that may be charged to a card holder by the owner or operator of an electronic financial terminal, if the terminal is located within 50 miles of the Canadian border, and the enforcement of any such provision is prohibited.

Sec. 19. Minnesota Statutes 1996, section 47.75, subdivision 1, is amended to read:

Subdivision 1. [RETIREMENT AND MEDICAL SAVINGS ACCOUNTS.] A commercial bank, savings bank, savings association, credit union, or industrial loan and thrift company may act as trustee or custodian under the Federal Self-Employed Individual Tax Retirement Act of 1962, as amended, of a medical savings account under the Federal Health Insurance Portability and Accountability Act of 1996, as amended, and also under the Federal Employee Retirement Income Security Act of 1974, as amended. The trustee or custodian may accept the trust funds if the funds are invested only in savings accounts or time deposits in the commercial bank, savings bank, savings association, credit union, or industrial loan and thrift company. All funds held in the fiduciary capacity may be commingled by the financial institution in the conduct of its business, but individual records shall be maintained by the fiduciary for each participant and shall show in detail all transactions engaged under authority of this subdivision.

Sec. 20. Minnesota Statutes 1996, section 48.01, subdivision 2, is amended to read:

Subd. 2. [BANKING INSTITUTION.] The term "banking institution" means any bank, trust company, bank and trust company, or savings bank which is now or may hereafter be organized under the laws of this state. For purposes of sections 48.38, 48.84, and ~~501B.10~~ 501B.151, subdivision 6 11, and to the extent permitted by federal law, "banking institution" includes any national banking association or affiliate exercising trust powers in this state.

Sec. 21. Minnesota Statutes 1996, section 48.09, is amended by adding a subdivision to read:

Subd. 3. [QUALIFIED SUBCHAPTER S SUBSIDIARY.] A bank that has met the eligibility requirements under title I, subtitle C of the Small Business Job Protection Act of 1996 or related state of Minnesota tax law may apply to the commissioner for approval of a plan and agreement for a distribution of earnings to the shareholder(s) of the bank on a basis other than a dividend under subdivisions 1 and 2. Approval of a plan of distribution under this subdivision may be rescinded by the commissioner upon 90-day prior notice to the bank. Failure to comply with this notice or qualification of a distribution under subdivisions 1 and 2 is considered a violation subject to the commissioner's action under section 45.027 or 46.24.

Sec. 22. Minnesota Statutes 1996, section 48.15, subdivision 2, is amended to read:

Subd. 2. The commissioner of commerce may authorize banks, bank and trust companies, or trust companies organized under the laws of this state to engage in any banking or trust activity in which banks subject to the jurisdiction of the federal government may hereafter be authorized to engage by federal legislation, ruling, or regulation and those activities authorized in section 48.61, subdivision 7, paragraph (a), clause (3). The commissioner may not authorize state banks as defined by section 48.01, to engage in any banking activity prohibited by the laws of this state.

Sec. 23. Minnesota Statutes 1996, section 48.15, subdivision 4, is amended to read:

Subd. 4. [RETIREMENT AND MEDICAL SAVINGS ACCOUNTS.] A state bank may act as trustee or custodian of a self-employed retirement plan under the Federal Self-Employed Individual Tax Retirement Act of 1962, as amended, of a medical savings account under the Federal Health Insurance Portability and Accountability Act of 1996, as amended, and of an individual retirement account under the Federal Employee Retirement Income Security Act of 1974, as amended, if the bank's duties as trustee or custodian are essentially ministerial or custodial in nature and the funds are invested only (1) in the bank's own savings or time deposits; or (2) in any other assets at the direction of the customer if the bank does not exercise any investment discretion, invest the funds in collective investment funds administered by it, or provide any investment advice with respect to those account assets.

Affiliated discount brokers may be utilized by the bank acting as trustee or custodian for self-directed IRAs, if specifically authorized and directed in appropriate documents. The relationship between the affiliated broker and the bank must be fully disclosed. Brokerage commissions to be charged to the IRA by the affiliated broker should be accurately disclosed. Provisions should be made for disclosure of any changes in commission rates prior to their becoming effective. The affiliated broker may not provide investment advice to the customer. All funds held in the fiduciary capacity may be commingled by the financial institution in the conduct of its business, but individual records shall be maintained by the fiduciary for each participant and shall show in detail all transactions engaged under authority of this subdivision. The authority granted by this section is in addition to, and not limited by, section 47.75.

Sec. 24. Minnesota Statutes 1996, section 48.24, subdivision 2, is amended to read:

Subd. 2. Loans not exceeding 25 percent of such capital and surplus made upon first mortgage security on improved real estate in the any state in which the bank or a branch established under section 49.411 is located, or in an adjoining any state within 20 miles of the place where the bank adjoining a state in which the bank or a branch established under section 49.411 is located, shall not constitute a liability of the maker of the notes secured by such mortgages within the meaning of the foregoing provision limiting liability, but shall be an actual liability of the maker. These mortgage loans shall be limited to, and in no case exceed, 50 percent of the cash value of the security covered by the mortgage, except mortgage loans guaranteed as provided by the

servicemen's readjustment act of 1944, as now or hereafter amended, or for which there is a commitment to so guarantee or for which a conditional guarantee has been issued, which loans shall in no case exceed 60 percent of the cash value of the security covered by such mortgage. For the purposes of this subdivision, real estate is improved when substantial and permanent development or construction has contributed substantially to its value, and agricultural land is improved when farm crops are regularly raised on such land without further substantial improvements.

Sec. 25. Minnesota Statutes 1996, section 48.24, is amended by adding a subdivision to read:

Subd. 9. [RIGHT TO ACT TO AVOID LOSS.] This section does not prohibit the bank from advancing funds that may be reasonably necessary to avoid loss on a loan or investment made subject to this section or an obligation created in good faith. The rights under this subdivision are in addition to and not inconsistent with section 48.21.

Sec. 26. [48.476] [REPRESENTATIVE TRUST OFFICE.]

Subdivision 1. [DEFINITIONS.] For purposes of this section, the terms in this subdivision have the meanings given.

(a) "Representative trust office" means an office at which a trust company or bank with trust powers has been authorized by the commissioner to engage in a trust business other than acting as a fiduciary.

(b) "Acting as a fiduciary" means to:

(1) accept or execute trusts, including to:

(i) act as trustee under a written agreement;

(ii) receive money or other property in its capacity as a trustee for investment in real or personal property;

(iii) act as trustee and perform the fiduciary duties committed or transferred to it by order of court of competent jurisdiction;

(iv) act as trustee of the estate of a deceased person; or

(v) act as trustee for a minor or incapacitated person;

(2) administer in any other fiduciary capacity real or personal property; or

(3) act according to order of court of competent jurisdiction as executor or administrator of the estate of a deceased person or as a guardian or conservator for a minor or incapacitated person.

Subd. 2. [AUTHORITY FOR REPRESENTATIVE TRUST OFFICES; PRIOR WRITTEN NOTICE.] (a) A state trust institution may establish or acquire and maintain representative trust offices anywhere in this state. A state trust institution desiring to establish or acquire and maintain such an office shall file a written notice with the commissioner setting forth the name of the state trust institution and the location of the proposed additional office and furnish a copy of the resolution adopted by the board authorizing the additional office.

(b) The state trust institution may begin business at the additional office on the 31st day after the date the commissioner receives the notice, unless the commissioner specifies an earlier or later date.

(c) The 30-day period of review may be extended by the commissioner on a determination that the written notice raises issues that require additional information or additional time for analysis. If the period of review is extended, the state trust institution may establish the additional office only on prior written approval by the commissioner.

(d) The commissioner may deny approval of the additional office if the commissioner finds that

the state trust institution lacks sufficient financial resources to undertake the proposed expansion without adversely affecting its safety or soundness or that the proposed office would be contrary to the public interest.

Subd. 3. [AUTHORITY FOR OUT-OF-STATE TRUST OFFICES; PRIOR WRITTEN NOTICE.] (a) A state trust institution may establish and maintain representative trust office or acquire and maintain an office in a state other than this state. A state trust institution desiring to establish or acquire and maintain an office in another state under this section shall file a notice on a form prescribed by the commissioner, which shall set forth the name of the state trust institution, the location of the proposed office, and whether the laws of the jurisdiction where the office will be located permit the office to be maintained by the state trust institution; and furnish a copy of the resolution adopted by the board authorizing the out-of-state office.

(b) The state trust institution may begin business at the additional office on the 31st day after the date the commissioner receives the notice, unless the commissioner specifies an earlier or later date.

(c) The 30-day period of review may be extended by the commissioner on a determination that the written notice raises issues that require additional information or additional time for analysis. If the period of review is extended, the state trust institution may establish the additional office only on prior written approval by the commissioner.

(d) The commissioner may deny approval of the additional office if the commissioner finds that the state trust institution lacks sufficient financial resources to undertake the proposed expansion without adversely affecting its safety or soundness or that the proposed office would be contrary to the public interest. In acting on the notice, the commissioner shall consider the views of the appropriate bank supervisory agencies.

Sec. 27. Minnesota Statutes 1996, section 48.512, is amended by adding a subdivision to read:

Subd. 4a. [IDENTIFICATION NOT REQUIRED FOR DEBIT CARD TRANSACTIONS.] The identification requirements of subdivision 4 do not apply to a transaction account that is accessible exclusively by debit card. A debit card activates a transaction account at a financial intermediary by means of an electronic information processing device and contemporaneously completes the debt to the account only on the condition that funds are available and confirmed.

Sec. 28. Minnesota Statutes 1996, section 48.61, subdivision 7, is amended to read:

Subd. 7. [SUBSIDIARIES.] (a) A state bank or trust company may organize, acquire, or invest in a subsidiary located in this state for the purposes of engaging in one or more of the following activities, subject to the prior written approval of the commissioner:

(1) any activity, not including receiving deposits or paying checks, that a state bank is authorized to engage in under state law or rule or under federal law or regulation unless the activity is prohibited by the laws of this state;

(2) any activity that a bank clerical service corporation is authorized to engage in under section 48.89; and

(3) any other activity authorized for a national bank, a bank holding company, or a subsidiary of a national bank or bank holding company under federal law or regulation of general applicability, and approved by the commissioner ~~by rule.~~

(b) A bank or trust company subsidiary may engage in an activity under this section only upon application together with a filing fee of \$250 and with the prior written approval of the commissioner. In approving or denying a proposed activity, the commissioner shall consider the financial and management strength of the bank or trust company, the current written operating plan and policies of the proposed subsidiary corporation, the bank or trust company's community reinvestment record, and whether the proposed activity should be conducted through a subsidiary of the bank or trust company.

(c) The aggregate amount of funds invested in either an equity or loan capacity in all of the subsidiaries of the bank or trust company authorized under this subdivision shall not exceed 25 percent of the capital stock and paid in surplus of the bank or trust company.

(d) A subsidiary organized or acquired under this subdivision is subject to the examination and enforcement authority of the commissioner under chapters 45 and 46 to the same extent as a state bank or trust company.

(e) For the purposes of this section, "subsidiary" means a corporation of which more than 50 percent of the voting shares are owned or controlled by the bank or trust company.

Sec. 29. Minnesota Statutes 1996, section 48.61, is amended by adding a subdivision to read:

Subd. 10. [SUBSIDIARIES ORGANIZED FOR PURPOSES OF CORPORATE REORGANIZATION.] A subsidiary may be organized solely for purposes of liquidating assets in a reorganization subject to the following conditions:

(1) the subsidiary must be a bank holding company whose assets and liabilities and subsidiary bank control have been removed; and

(2) the operations of the subsidiary must be limited to the time period reasonably related to the completion of the reorganization.

Sec. 30. Minnesota Statutes 1996, section 49.215, subdivision 3, is amended to read:

Subd. 3. [CERTIFICATE OF LIQUIDATION.] Upon compliance with the foregoing and upon filing with the commissioner an affidavit of the president and cashier or vice president conducting the duties of cashier of said financial institution that the provisions of subdivision 4 have been complied with and that all depositors and other creditors have been paid in full, or, if any dividends or any moneys set apart for the payment of claims remain unpaid and the places of residence of the depositors or other creditors are unknown to the persons making the affidavit, that sufficient funds have been turned over to the commissioner for payment into the state treasury to pay said depositors and other creditors, in the manner provided by subdivision 5, the commissioner shall issue a certificate of liquidation, and, upon the filing for record of said certificate of liquidation in the office of the secretary of state and in the office of the county recorder of the county of the principal place of business of such financial institution immediately prior to its voluntary liquidation, the liquidation of said financial institution shall be complete, and its corporate existence shall thereupon terminate.

Sec. 31. Minnesota Statutes 1996, section 49.33, is amended to read:

49.33 [CONSOLIDATION AND MERGER, WHEN AUTHORIZED.]

Subject to the provisions of sections 49.33 to 49.41, with the written consent of the commissioner of commerce, any bank of discount and deposit, savings bank, or trust company may effect a transfer of its assets and liabilities to another bank, savings bank, or trust company for the purpose of consolidating or merging, but the same shall be without prejudice to the creditors of either.

Sec. 32. Minnesota Statutes 1996, section 49.36, subdivision 4, is amended to read:

Subd. 4. [NOTICE OF PROPOSED ACQUISITION.] The successor bank shall give reasonable notice of the acquisition to each of the depositors and creditors of an acquired bank or savings association within 30 days after the order is activated at a time and in a form determined in the discretion of the commissioner. This notice may be coordinated to include federal regulator concerns for impact on deposit insurance of accounts and information designed to alert depositors and creditors of any changes in procedures or practices. If detached facilities are to be closed as a result of transactions authorized by this section, adequate notice shall be provided by the bank prior to closing, unless the commissioner has acted to prevent the probable failure of the bank or savings association, and then as soon as practicable after the acquisition date.

Sec. 33. Minnesota Statutes 1996, section 49.42, is amended to read:

49.42 [STATE BANK.]

As used in sections 49.42 to 49.46:

"State bank" means any bank, savings bank, trust company, or bank and trust company which is now or may hereafter be organized under the laws of this state.

"National banking association" means a bank, savings bank, bank and trust company, or bank exclusively exercising trust powers organized under the laws of the United States.

Sec. 34. Minnesota Statutes 1996, section 50.245, is amended to read:

50.245 [BRANCHES; ACQUISITIONS.]

Subdivision 1. [AUTHORITY FOR BRANCH OFFICES.] A savings bank may establish any number of detached facilities as may be approved by the commissioner of commerce pursuant to sections 47.51 to 47.57. The savings bank shall not change the location of a detached facility without prior written approval of the commissioner of commerce. A savings bank may establish a loan production office, without restriction as to geographical location, upon written notice to the commissioner of commerce.

Subd. 2. [AUTHORITY FOR BRANCH OFFICES IN OTHER STATES.] The authorization contained in subdivision 1 is in addition to the authority granted savings banks in section 47.52. A savings bank chartered in this state, whether or not the subsidiary of a savings bank holding company, ~~may, by acquisition, merger, purchase, and assumption of some or all assets and liabilities, consolidation, or de novo formation, establish or operate detached facilities in another state on the same terms and conditions and subject to the same limitations and restrictions as are applicable to the establishment of branches by national banks located in Minnesota, except that approval of the comptroller of the currency shall not be required for such detached facilities~~ has the same authority as a bank to conduct interstate mergers affecting interstate branching under section 49.411. The merger may be between banks and with other banks or savings banks.

Subd. 3. [RECIPROCATING STATE INTERSTATE ACQUISITIONS.] A savings bank chartered in this state and a savings bank holding company with its principal offices in this state may acquire control of a financial institution chartered in a ~~reciprocating state or, subject to applicable federal law, any other state~~ or a financial institution holding company with principal offices in a ~~reciprocating state or, subject to applicable federal law, any other state~~. A savings bank chartered in a ~~reciprocating state or, subject to applicable federal law, any other state~~ and a savings bank holding company with principal offices in a ~~reciprocating state or, subject to applicable federal law, any other state~~ may acquire control of a savings bank chartered in this state or a savings bank holding company with principal offices in this state.

Subd. 4. [PROCEDURAL REQUIREMENTS.] Procedural requirements ~~equivalent to those contained in sections 48.90 to 48.995 48.99~~ apply to ~~reciprocal interstate branching and acquisitions by savings banks and savings bank holding companies.~~

Subd. 5. [DEFINITIONS.] For the purpose of this section, the terms defined in this subdivision have the meanings given them.

(a) "Financial institution" means a bank, savings bank, savings association, or trust company, ~~or credit union,~~ whether chartered under the laws of this state, another state or territory, or under the laws of the United States.

(b) "Loan production office" means a place of business at which a savings bank provides lending if the loans are approved at the main office or detached facility of the savings bank, but at which a savings bank may not accept deposits except through a remote service unit.

(c) ~~"Reciprocating state" means a state that authorizes the acquisition of control of financial institutions chartered in that state and financial institution holding companies with principal~~



offices in that state by a savings bank chartered in this state or savings bank holding company with principal offices in this state under conditions substantially similar to those imposed by the laws of Minnesota, as determined by the commissioner of commerce.

(d) "Remote service unit" means an electronic financial terminal as defined in section 47.61.

~~Subd. 6. [COMMISSIONER'S AUTHORITY.] The authority of the commissioner of commerce to approve a transaction under this section is in addition to that provided for in section 49.48.~~

Sec. 35. Minnesota Statutes 1996, section 51A.38, subdivision 1, is amended to read:

Subdivision 1. [GENERALLY.] Real estate loans and other loans secured by a mortgage on real estate that are eligible for investment by an association under sections 51A.01 to 51A.57 may be written according to this section and section ~~51A.385~~ 51A.386, or upon any other plan approved by the commissioner.

Sec. 36. Minnesota Statutes 1996, section 52.04, subdivision 2a, is amended to read:

Subd. 2a. [CREDIT SALES OR SERVICE CONTRACTS.] A person may enter into a credit sale or service contract for sale to a state or federal credit union doing business in this state, and a credit union may purchase and enforce the contract under the terms and conditions set forth in section 47.59, subdivisions 4 ~~and 6~~ to 14.

Sec. 37. Minnesota Statutes 1996, section 52.04, is amended by adding a subdivision to read:

Subd. 3. [COMPARABILITY WITH FEDERAL CREDIT UNIONS.] The commissioner of commerce may authorize credit union activity in which credit unions subject to the jurisdiction of the federal government may be authorized to engage by federal legislation, ruling, or regulation. The commissioner may not authorize state credit unions subject to this chapter to engage in credit union activity prohibited by the laws of this state.

Sec. 38. Minnesota Statutes 1996, section 52.062, subdivision 1, is amended to read:

Subdivision 1. [REASONS FOR COMMISSIONER'S ACTION.] Whenever the commissioner of commerce shall find that a credit union is engaged in unsafe or unsound practices in conducting its business or that the shares of the members are impaired or are in immediate danger of becoming impaired, or that such credit union has knowingly or negligently permitted any of its officers, directors, committee members, or employees to violate any material provision of any law, bylaw, or rule to which the credit union is subject, the commissioner of commerce may proceed in the manner provided by ~~either~~ subdivision 2 or, 3, or 4.

Sec. 39. Minnesota Statutes 1996, section 52.062, is amended by adding a subdivision to read:

Subd. 4. [CONSENT CEASE AND DESIST ORDER.] In lieu of suspension of the operation of the credit union, the commissioner of commerce and the board of directors of the credit union may agree to execute a consent cease and desist order in which the parties agree to waive the right to a hearing and agree that the credit union shall cease and desist from unsafe or unsound practices, or violations. The order must specify whether credit union operation may continue, and if operation may continue, the conditions under which operation may continue.

Sec. 40. Minnesota Statutes 1996, section 52.063, is amended to read:

52.063 [PROCEEDINGS FOLLOWING SUSPENSION OR, CONTINUATION OF SUSPENSION, OR CONSENT CEASE AND DESIST ORDER; APPOINTMENT OF NATIONAL CREDIT UNION ADMINISTRATION BOARD AS RECEIVER.]

Subdivision 1. [PROCEEDINGS FOLLOWING SUSPENSION OR CONTINUATION OF SUSPENSION.] Upon receipt of the suspension notice or the notice of the continuation of suspension under section 52.062, subdivision 2 or 3, the credit union shall immediately cease or continue cessation of all operations except those operations specifically authorized by the

commissioner of commerce. If the notice is given pursuant to determination by the commissioner of commerce after a hearing, the board of directors shall have 60 days from the receipt of said notice in which to file with the commissioner of commerce a proposed plan of corrective actions or to request that a receiver be appointed for the credit union. The commissioner of commerce shall have 30 days from the receipt of the proposed plan of corrective actions to determine if the proposed corrective actions are sufficient to correct the deficiencies which formed the basis for the suspension. If the commissioner of commerce determines that the proposed corrective actions are sufficient, the suspension shall be lifted and the credit union returned to normal operations under its board of directors. If the commissioner of commerce believes the proposed corrective actions insufficient, or if the board has failed to answer the suspension notice, or has requested that a receiver be appointed, then the commissioner of commerce shall apply to the district court for appointment of a receiver. The credit union shall have the right, within six months of the receipt of any notice of suspension or continuation of suspension pursuant to a determination by the commissioner of commerce after hearing, to appeal to the district court for a ruling as to the validity of such notice.

Subd. 2. [PROCEEDINGS FOLLOWING CONSENT CEASE AND DESIST ORDER.] If the commissioner of commerce and the board of directors of the credit union execute a consent cease and desist order in lieu of a suspension under section 52.062, subdivision 4, the board of directors of the credit union may request that the commissioner of commerce seek court appointment of a receiver for the credit union. The consent cease and desist order must state that the credit union has requested that the commissioner seek appointment of a receiver.

Subd. 3. [APPOINTMENT OF NATIONAL CREDIT UNION ADMINISTRATION BOARD AS RECEIVER.] Upon a request by the commissioner of commerce, the court may appoint the National Credit Union Administration Board, created by section 3 of the Federal Credit Union Act, as amended, as receiver of a credit union, without bond, when the deposits of the credit union are to any extent insured by the National Credit Union Administration Board, and the credit union has had its operations suspended or has executed a consent cease and desist order with the commissioner in lieu of a suspension under section 52.062. Notwithstanding any other provisions of law, the commissioner of commerce may, in the event of the suspension or consent cease and desist order, tender to the National Credit Union Administration Board the proposed appointment as receiver of the credit union. If the National Credit Union Administration Board accepts the proposed appointment and the court appoints the National Credit Union Administration Board as receiver upon a request by the commissioner, the National Credit Union Administration Board shall have and possess all the powers and privileges provided by the laws of this state and section 207 of the Federal Credit Union Act, as amended, with respect to a receiver of a credit union, the board of directors of the credit union, and its members.

Sec. 41. Minnesota Statutes 1996, section 52.064, is amended by adding a subdivision to read:

Subd. 3. [WAIVER WHEN CREDIT UNION REQUESTS APPOINTMENT OF NATIONAL CREDIT UNION ADMINISTRATION BOARD AS RECEIVER.] If the board of directors of the credit union has made a request to the commissioner of commerce to seek court appointment of the National Credit Union Administration Board as its receiver, and the commissioner elects to seek this appointment, then the board of directors of the credit union may waive the right to apply to the court for permission to file, and the right to file, a plan of reorganization, merger, or consolidation for the credit union within 90 days of the appointment of the receiver under subdivision 1. The board of directors of the credit union may waive this right on behalf of itself, and on behalf of the members of the credit union, when the board of directors of the credit union determines that such action is in the best interests of the credit union and its members, so that the deposit insurer may proceed expeditiously to wind up the affairs of the credit union upon appointment as receiver.

Sec. 42. Minnesota Statutes 1996, section 52.13, is amended to read:

52.13 [DEPOSITS IN NAME OF MINOR.]

Any deposit made in the name of a minor, or shares issued in a minor's name, shall be held for the exclusive right and benefit of the minor, free from the control or lien of all other persons

except creditors, and together with the dividends or interest thereon shall be paid to the minor; and the minor's receipt, check, or acquittance in any form shall be a sufficient release and discharge of the depository for the deposits or shares, or any part thereof, until a conservator or guardian appointed for the minor shall have delivered a certificate of appointment to the depository. Deposits may be accepted pursuant to the authority set forth in chapter 527, provided that either the custodian or the minor is a member of the credit union accepting the deposit.

Sec. 43. Minnesota Statutes 1996, section 52.201, is amended to read:

52.201 [REORGANIZING FEDERAL CREDIT UNION INTO STATE CREDIT UNION.]

When any federal credit union authorized to convert to a state charter has taken the necessary steps under the federal law for that purpose, seven or more members, upon authority of two-thirds of the members present and entitled to vote and who shall have voted for such conversion at a regular or special meeting upon 14 days mailed written notice to each member at the member's last known address clearly stating that such conversion is to be acted upon, and upon approval of the commissioner of commerce, may execute a certificate of incorporation under the provisions of the state credit union act, which, in addition to the other requirements of law, shall state the authority derived from the shareholders of such federal credit union; and upon recording such certificate as required by law, it shall become a legal state credit union and the members of the federal credit union shall without further action be members of the state credit union. This includes members of the federal credit union on the basis of acceptance of small employer groups provided the commissioner may require contemporaneous filing of applications under section 52.05, subdivision 2. Thereupon the assets of the federal credit union, subject to its liabilities not liquidated under the federal law before such incorporation, shall vest in and become the property of such state credit union and the members upon request shall be entitled to a new passbook showing existing share and loan balances. The commissioner of commerce shall approve or disapprove of the conversion within 60 days of the date the proposal is presented.

Sec. 44. Minnesota Statutes 1996, section 53.04, is amended by adding a subdivision to read:

Subd. 5b. [NEGOTIABLE ORDER OF WITHDRAWAL ACCOUNTS.] Notwithstanding section 53.05, clause (1), and consistent with United States Code, title 12, section 1832, issue negotiable order of withdrawal accounts, which may not be referred to as checking accounts and may include the following transactions:

- (1) automatic (preauthorized) transfers for the purpose of paying loans at the same institution;
- (2) transfers or withdrawals made by mail, messenger, automated teller machine, or in person as withdrawals or transfers to another account of the depositor at the same institution;
- (3) withdrawals initiated by telephone and consummated by an official check mailed to the depository;
- (4) automated clearinghouse debits;
- (5) transfers from a customer's account under a preauthorized agreement to cover overdrafts on another transaction account;
- (6) drafts payable to third parties; and
- (7) debit card transactions.

Agreements establishing negotiable order of withdrawal accounts must include a prominent disclosure of the following:

"We reserve the right to at any time require not less than seven days' notice in writing before each withdrawal from this account."

A negotiable order of withdrawal account may be with or without interest and is considered a transaction account for purposes of section 48.512.

Before exercising this power, the company must submit a plan to the commissioner detailing implementation of the power.

Sec. 45. Minnesota Statutes 1996, section 53.05, is amended to read:

53.05 [POWERS, LIMITATION.]

No industrial loan and thrift company may do any of the following:

(1) carry demand banking accounts; use the word "savings" unless the institution's investment certificates, savings accounts, and savings deposits are insured by the Federal Deposit Insurance Corporation and then only if the word is not followed by the words "and loan" in its corporate name; use the word "bank" or "banking" in its corporate name; operate as a savings bank;

(2) have outstanding at any one time certificates of indebtedness, savings accounts, and savings deposits 30 times the sum of capital stock and surplus of the company;

(3) accept trusts, except as provided in section 47.75, subdivision 1, or act as guardian, administrator, or judicial trustee in any form;

(4) deposit any of its funds in any banking corporation, unless that corporation has been designated by vote of a majority of directors or of the executive committee present at a meeting duly called, at which a quorum was in attendance;

(5) change any allocation of capital made pursuant to section 53.03 or reduce or withdraw in any way any portion of the capital stock and surplus without prior written approval of the commissioner of commerce;

(6) take any instrument in which blanks are left to be filled in after execution;

(7) lend money in excess of 20 percent of the total of its capital stock and surplus at all its authorized locations to a person primarily liable. Companies not issuing investment certificates of indebtedness under section 53.04 need not comply with the requirement if the amount of money lent does not exceed \$100,000 of principal as defined by section 47.59, subdivision 1, paragraph (p).

However, industrial loan and thrift companies with deposit liabilities must comply with the provisions of section 48.24; or

(8) issue cashier's checks pursuant to section 48.151, unless and at all times the aggregate liability to all creditors on these instruments is protected by a special fund in cash or due from banks to be used solely for payment of the cashier's checks.

Sec. 46. Minnesota Statutes 1996, section 53.09, subdivision 2a, is amended to read:

Subd. 2a. [COMPLIANCE EXAMINATIONS.] For the purpose of discovering violations of this chapter or securing information lawfully required by the commissioner under this chapter, the commissioner may, at any time, either personally or by a person or persons duly designated, investigate the loans and business, and examine the books, accounts, records, and files used in the business, of every licensee and of every person engaged in the business whether or not the person acts or claims to act as principal or agent, or under the authority of this chapter. For the purposes of this subdivision, the commissioner and duly designated representatives have free access to the offices and places of business, books, accounts, papers, records, files, safes, and vaults of all these persons. The commissioner and all persons duly designated may require the attendance of and examine, under oath, all persons whose testimony the commissioner may require relative to the loans or business or to the subject matter of an examination, investigation, or hearing. Upon written agreement with the company, the commissioner may conduct examinations applying the procedures for purposes of subdivision 1, and section 46.04, subdivision 1, to facilitate the qualifications of the company to participate in the United States Small Business Administration loan guarantee or similar programs.

Each licensee shall pay to the commissioner the amount required under section 46.131, and the commissioner may maintain an action for the recovery of the costs in a court of competent jurisdiction.

Sec. 47. Minnesota Statutes 1996, section 55.06, subdivision 1, is amended to read:

Subdivision 1. [PROHIBITION.] No person except a bank, a savings bank, a credit union, a savings association, industrial loan and thrift company issuing investment certificates of indebtedness, or a trust company may let out or rent as lessor, for hire, safe deposit boxes or take or receive valuable personal property for safekeeping and storage, as bailee, for hire, without procuring a license and giving a bond, as required by this chapter, except as otherwise authorized by law so to do.

Sec. 48. Minnesota Statutes 1996, section 56.07, is amended to read:

56.07 [CONTROL OVER LOCATION.]

Subdivision 1. [GENERAL.] Not more than one place of business shall be maintained under the same license, but the commissioner may issue more than one license to the same licensee upon compliance with all the provisions of this chapter governing an original issuance of a license, for each such new license. To the extent that previously filed applicable information remains substantially unchanged, the applicant need not refile this information, unless requested.

When a licensee shall wish to change a place of business, the licensee shall give written notice thereof 30 days in advance to the commissioner, who shall within 30 days of receipt of such notice, issue an amended license approving the change. No change in the place of business of a licensee to a location outside of its current trade area or more than 25 miles from its present location, whichever distance is greater, shall be permitted under the same license unless all of the requirements of section 56.04 have been met.

~~A licensed place of business shall be open during regular business hours each weekday, except for legal holidays and for any weekday the commissioner grants approval to the licensee to remain closed. A licensed place of business may be open on Saturday, but shall be closed on Sunday. A licensed location must be open for business and examination purposes on a schedule provided to and approved by the commissioner. This schedule of regular business must be conspicuously posted at the licensed location.~~

Subd. 2. [INTERACTIVE KIOSK LOCATIONS.] Licensed locations providing limited services on an interactive telephone-customer service communications terminal are required to comply with paragraphs (a) to (c).

(a) The licensee must maintain business books, accounts, and records on a suitable alternative system of maintenance approved by the commissioner.

(b) The license required to be posted under section 56.05 may be displayed on the customer service communications terminal screen for a period of no less than 15 seconds.

(c) The full and accurate schedule of charges required by section 56.14, clause (5), may be displayed on the customer service communications terminal screen for no less than 20 seconds.

Sec. 49. Minnesota Statutes 1996, section 56.10, subdivision 1, is amended to read:

Subdivision 1. For the purpose of discovering violations of this chapter or securing information lawfully required by the commissioner hereunder, the commissioner may, at any time, either personally or by a person or persons duly designated, investigate the loans and business and examine the books, accounts, records, and files used therein, of every licensee and of every person who shall be engaged in the business described in section 56.01, whether the person shall act or claim to act as principal or agent, or under or without the authority of this chapter. For that purpose the commissioner and a duly designated representative shall have free access to the offices and places of business, books, accounts, papers, records, files, safes, and vaults of all such persons. The commissioner and all persons duly designated shall have authority to require the

attendance of and to examine, under oath, all persons whomsoever whose testimony the commissioner may require relative to the loan or the business or to the subject matter of any examination, investigation, or hearing. Upon written agreement with the licensee, the commissioner may conduct examinations applying the procedures for purposes of this subdivision and section 46.04, subdivision 1, to facilitate the qualifications of the licensee to participate in the United States Small Business Administration loan guarantee or similar programs.

Each licensee shall pay to the commissioner such amount as may be required under section 46.131, and the commissioner may maintain an action for the recovery of such costs in any court of competent jurisdiction.

Sec. 50. Minnesota Statutes 1996, section 56.131, subdivision 1, is amended to read:

Subdivision 1. [INTEREST RATES AND CHARGES.] (a) On any loan in a principal amount not exceeding ~~\$56,000~~ \$100,000 or 15 percent of a Minnesota corporate licensee's capital stock and surplus as defined in section 53.015, if greater, a licensee may contract for and receive interest, finance charges, and other charges as provided in section 47.59.

(b) Loans may be interest-bearing or precomputed.

(c) Notwithstanding section 47.59 to the contrary, to compute time on interest-bearing and precomputed loans, including, but not limited to the calculation of interest, a day is considered 1/30 of a month when calculation is made for a fraction of a calendar month. A year is 12 calendar months. A calendar month is that period from a given date in one month to the same numbered date in the following month, and if there is no same numbered date, to the last day of the following month. When a period of time includes a whole month and a fraction of a month, the fraction of a month is considered to follow the whole month.

In the alternative, for interest-bearing loans, a licensee may charge interest at the rate of 1/365 of the agreed annual rate for each actual day elapsed.

(d) With respect to interest-bearing loans and notwithstanding section 47.59:

(1) Interest must be computed on unpaid principal balances outstanding from time to time, for the time outstanding. Each payment must be applied first to the accumulated interest and the remainder of the payment applied to the unpaid principal balance; provided however, that if the amount of the payment is insufficient to pay the accumulated interest, the unpaid interest continues to accumulate to be paid from the proceeds of subsequent payments and is not added to the principal balance.

(2) Interest must not be payable in advance or compounded. However, if part or all of the consideration for a new loan contract is the unpaid principal balance of a prior loan, then the principal amount payable under the new loan contract may include any unpaid interest which has accrued. The unpaid principal balance of a precomputed loan is the balance due after refund or credit of unearned interest as provided in paragraph (e), clause (3). The resulting loan contract is deemed a new and separate loan transaction for all purposes.

(e) With respect to precomputed loans and notwithstanding section 47.59 to the contrary:

(1) Loans must be repayable in substantially equal and consecutive monthly installments of principal and interest combined, except that the first installment period may be more or less than one month by not more than 15 days, and the first installment payment amount may be larger than the remaining payments by the amount of interest charged for the extra days and must be reduced by the amount of interest for the number of days less than one month to the first installment payment; and monthly installment payment dates may be omitted to accommodate borrowers with seasonal income.

(2) Payments may be applied to the combined total of principal and precomputed interest until the loan is fully paid. Payments must be applied in the order in which they become due.

(3) If the maturity of the loan is accelerated for any reason and judgment is entered, the licensee

shall credit the borrower with the same refund as if prepayment in full had been made on the date the judgment is entered.

~~(4) If two or more installments are delinquent one full month or more on any due date, and if the contract so provides, the licensee may reduce the unpaid balance by the refund credit which would be required for prepayment in full on the due date of the most recent maturing installment in default. Thereafter, and in lieu of any other default or deferment charges, the single annual percentage rate permitted by this subdivision may be charged on the unpaid balance until fully paid.~~

(5) Following the final installment as originally scheduled or deferred, the licensee, for any loan contract which has not previously been converted to interest-bearing under clause (4) (7), may charge interest on any balance remaining unpaid, including unpaid default or deferment charges, at the single annual percentage rate permitted by this subdivision until fully paid.

~~(6)~~ (5) With respect to a loan secured by an interest in real estate, and having a maturity of more than 60 months, the original schedule of installment payments must fully amortize the principal and interest on the loan. The original schedule of installment payments for any other loan secured by an interest in real estate must provide for payment amounts that are sufficient to pay all interest scheduled to be due on the loan.

~~(6)~~ A delinquency charge as provided for in section 47.59, subdivision 6, paragraph (a), clause (4).

~~(7)~~ Grant extensions, deferments, or conversions to interest-bearing as provided in section 47.59, subdivision 5.

Sec. 51. Minnesota Statutes 1996, section 56.131, subdivision 4, is amended to read:

Subd. 4. [ADJUSTMENT OF DOLLAR AMOUNTS.] The dollar amounts in ~~this section subdivisions 2 and 6, sections 53.04, subdivision 3a, paragraph (c), 56.01, 56.12, and 56.125 shall change periodically,~~ as provided in section 47.59, subdivision 3.

Sec. 52. Minnesota Statutes 1996, section 59A.08, subdivision 3, is amended to read:

~~Subd. 3. The information required by subdivision 1 shall only be required in the initial insurance premium finance agreement entered into if said agreement is open end. An insurance premium finance agreement is open end if it provides that additional or subsequent insurance premiums may be financed and added to the initial insurance premium finance agreement from time to time.~~

Additional or subsequent premiums may be added to an open-end insurance premium finance agreement from time to time, provided that:

(a) The additional or subsequent insurance premium to be added results from additional premiums required under policies presently being financed under the open-end insurance premium finance agreement or from a renewal of a policy or from other policies owned or purchased by the insured.

(b) The insurance premium finance company receives written notice or advice from an insurer authorized to do business in this state or from an insurance agent licensed in this state acknowledging that the premium on an existing financed policy has been increased or that a policy has been renewed or that additional policies have or will be issued to the insured. The notice or advice shall contain the amount of the additional premium, the down payment collected by the insurer or agent, if any, and the amount of premium to be added to the open-end insurance premium finance agreement.

(c) If the additional premiums to be added to the open-end insurance premium finance agreement result from additional premiums required on policies presently financed under the agreement ~~which are to be financed beyond the scheduled maturity of the original financing, the renewal of a policy or from an additional policy owned or purchased by the insured, the insurance~~

~~premium finance company shall mail a notice to the insured at the address shown in the policy. Said notice shall contain:~~

~~(1) The information required by subdivision 1, notwithstanding that the notice is not signed by, nor on behalf of the insured;~~

~~(2) A conspicuous statement to the insured stating that the insured may tender the premiums in full or disaffirm the financing of the premium on the renewal or additional policies by mailing to the insurance premium finance company notice of intention to do so within ten days after the insurance premium finance company mails to the insured the notice required by this subdivision;~~

~~(3) A conspicuous statement to the insured that the insurance premium finance company may, in event of default in payment of the additional premium, or any installment thereof, cause the insured's insurance contract or contracts to be canceled as provided in section 59A.11.~~

~~(d) At the time the notice of additional premium to be added to the open end insurance premium finance agreement is mailed to the insured as provided in clause (c), an employee of the insurance premium finance company shall prepare and sign a certificate or affidavit of mailing setting forth the following:~~

~~(1) The name of the employee who mailed the notice of the additional premium to be financed.~~

~~(2) That the employee mailing the notice is over 18 years of age.~~

~~(3) The date and place of the deposit of the notice in the mail.~~

~~(4) The name and address of the person to whom the notice was mailed as shown on the envelope containing the notice.~~

~~(5) That the envelope containing the notice was sealed and deposited in the mail with the proper postage thereon.~~

~~A certificate or affidavit of mailing, prepared and signed as prescribed in this subdivision shall raise rebuttable presumption that the notice was mailed to the insured at the address shown in the certificate or affidavit of mailing.~~

~~(e) The insurance premium finance company may make a finance charge in accordance with section 59A.09 for additional premiums financed and added to an open end insurance premium finance agreement; however, only one flat rate service fee may be made or charged for each insurance premium finance agreement entered into and no additional flat service fee may be made or charged for adding additional or subsequent premiums to an open end insurance premium finance agreement for which a flat service fee was previously made or charged. or from a renewal of a policy or from other policies owned or purchased by the insured, a written notice must be mailed, faxed, or delivered to the insured outlining any changes to the information required by subdivision 1 along with a conspicuous statement to the insured that the insured may tender the premiums in full or affirm the proposed changes by tendering either an additional down payment or tendering the proposed revised installment amount, or disaffirm the financing of the additional premium by continuing the original payment amount as agreed to in the initial agreement.~~

~~If the proposed revisions in paragraph (c) are affirmed by the insured, the finance company may make an additional finance charge according to section 59A.09 for the additional premium financed and added to the open-end agreement; however, no additional flat service fee may be made or charged for adding additional or subsequent premiums to an open-end insurance premium finance agreement for which a flat service fee was previously made or charged.~~

Sec. 53. Minnesota Statutes 1996, section 59A.08, is amended by adding a subdivision to read:

Subd. 5. [COMPETITIVE EQUALITY.] No insurance agent, insurance broker, or insurer may require a person to use a particular insurance premium finance company or other installment payment plan for which a finance charge or other fee in connection with an installment payment has been or will be imposed or refuse to accept premium payment from a company licensed under sections 59A.01 to 59A.15.



Sec. 54. Minnesota Statutes 1996, section 59A.11, subdivision 2, is amended to read:

Subd. 2. Not less than ten days' written notice shall be mailed to the insured setting forth the intent of the insurance premium finance company to cancel the insurance contract unless the default is cured prior to the date stated in the notice. The insurance agent or insurance broker indicated on the premium finance agreement shall also be mailed given ten days' notice of this action in a manner agreed upon between the insurance premium finance company and insurance agent or insurance broker.

Sec. 55. Minnesota Statutes 1996, section 59A.11, subdivision 3, is amended to read:

Subd. 3. (a) Pursuant to the power of attorney or other authority referred to above, the insurance premium finance company may cancel on behalf of the insured by mailing to the insurer written notice stating when thereafter the cancellation shall be effective, and the insurance contract shall be canceled as if such notice of cancellation had been submitted by the insured personally, but without requiring the return of the insurance contract. In the event that the insurer or its agent does not provide the insurance premium finance company with a specific mailing address for the purposes of receipt of the above notice, then mailing by the insurance premium finance company to the insurer at the address which is on file and of record with the commissioner of commerce pursuant to the provisions of chapters 60A and 72A shall be considered sufficient notice under this section. The notice requirements of this paragraph only apply if an insurance premium finance company and an insurer have not agreed on a method of providing notice of cancellation.

(b) The insurance premium finance company shall also mail a notice of cancellation to the insured at the insured's last known address ~~and~~.

(c) Written notice of the cancellation must also be given to the insurance agent or insurance broker indicated on the premium finance agreement. Written notice to the insurance agent or broker required by this paragraph may be given in a manner agreed upon between the insurance premium finance company, insurer, agent, or broker.

Sec. 56. Minnesota Statutes 1996, section 62B.04, subdivision 1, is amended to read:

Subdivision 1. [CREDIT LIFE INSURANCE.] (1) The initial amount of credit life insurance shall not exceed the amount of principal repayable under the contract of indebtedness plus an amount equal to one monthly payment. Thereafter, if the indebtedness is repayable in substantially equal installments according to a predetermined schedule, the amount of insurance ~~on which the premium is calculated shall be equal to~~ not exceed the scheduled indebtedness plus one monthly payment or actual amount of indebtedness, whichever is greater. If the contract of indebtedness provides for a variable rate of finance charge or interest, the initial rate or the scheduled rates based on the initial index must be used in determining the scheduled amount of indebtedness and subsequent changes to the rate must be disregarded in determining whether the contract is repayable in substantially equal installments according to a predetermined schedule.

(2) Notwithstanding clause (1), the amount of credit life insurance written in connection with credit transactions repayable over a specified term exceeding 63 months shall not exceed the greater of: (i) the actual amount of unpaid indebtedness as it exists from time to time; or (ii) where an indebtedness is repayable in substantially equal installments according to a predetermined schedule, the scheduled amount of unpaid indebtedness, less any unearned interest or finance charges, plus an amount equal to two monthly payments. If the credit transaction provides for a variable rate of finance charge or interest, the initial rate or the scheduled rates based on the initial index must be used in determining the scheduled amount of unpaid indebtedness and subsequent changes in the rate must be disregarded in determining whether the contract is repayable in substantially equal installments according to a predetermined schedule.

(3) Notwithstanding clauses (1) and (2), insurance on educational, agricultural, and horticultural credit transaction commitments may be written on a nondecreasing or level term plan for the amount of the loan commitment.

(4) If the contract of indebtedness provides for a variable rate of finance charge or interest, the

initial rate or the scheduled rates based on the initial index shall be used in determining the scheduled amount of indebtedness, and subsequent changes to the rate shall be disregarded in determining whether the contract is repayable in substantially equal installments according to a predetermined schedule.

Sec. 57. Minnesota Statutes 1996, section 300.20, subdivision 2, is amended to read:

Subd. 2. [VACANCIES.] If the certificate of incorporation or the bylaws so provides, a vacancy in the board of directors may be filled by the remaining directors. Not more than one-third of the members of the board may be so filled in any one year except any number may be appointed to provide for at least ~~three~~ five directors until any subsequent meeting of the stockholders.

Sec. 58. Minnesota Statutes 1996, section 303.02, subdivision 4, is amended to read:

Subd. 4. [FOREIGN CORPORATION.] "Foreign corporation" does not include any corporation which, under the constitution and statutes of the United States, may transact business in this state without first obtaining a certificate of authority so to do, insurance companies as defined by section 60A.02, and any banking or trust association or corporation or national banking association acting in this state as an executor, administrator, trustee, ~~or~~ guardian, or conservator under section 303.25.

Sec. 59. Minnesota Statutes 1996, section 303.25, subdivision 5, is amended to read:

Subd. 5. [SOLICITATION OF BUSINESS.] A foreign trust association may not maintain an office within this state, but it may solicit business within this state if banking or trust associations or corporations organized under the laws of this state or national banking associations maintaining their principal offices in this state may solicit business in the state in which the foreign trust association maintains its principal office. For purposes of this subdivision, solicitation of business includes the activities authorized for state or national banking associations exercising fiduciary powers maintaining their principal offices in this state considered a representative trust office established under section 48.476.

Sec. 60. Minnesota Statutes 1996, section 325F.68, subdivision 2, is amended to read:

Subd. 2. "Merchandise" means any objects, wares, goods, commodities, intangibles, real estate, loans, or services.

Sec. 61. Minnesota Statutes 1996, section 332.21, is amended to read:

332.21 [CONTRACTS.]

(a) Each contract entered into by the licensee and the debtor shall be in writing and signed by both parties. The licensee shall furnish the debtor with a copy of the signed contract. Each such contract shall set forth:

(1) the dollar charges agreed upon for the services of the licensee, clearly disclosing to such debtor the total amount which may be retained by licensee for services if the contract is fully performed, which maximum amount would be the origination fee together with 15 percent of the amount scheduled to be liquidated by such contract, This disclosure must state that if the amount of debt owed is increased by interest, late fees, over the limit fees, and other amounts imposed by the creditor or by reason of the events under paragraph (c), the length of the contract would be extended and remain in force and that the total dollar charges agreed upon may increase at the rate agreed upon in the original contract;

(2) the terms upon which the debtor may cancel the contract as set out in section 332.23,;

(3) all debts which are to be managed by the licensee, including the name of the creditor and the amount of the debt,; and

(4) such other matter as the commissioner may require by rule.

(b) A contract shall not be effective until a payment has been made to the licensee for distribution to creditors or until three business days after the signing thereof, whichever is later. Within such period an individual may disaffirm said contract and upon such disaffirmance said contract shall be null and void.

(c) Total fees contained in the contract may be exceeded in relation to creditors under open-end agreements if it is agreed to in the contract and the additional debts so contracted to be prorated do not exceed ten percent of the original debts in the contract or written revisions to the original contract.

Sec. 62. Minnesota Statutes 1996, section 332.23, subdivision 1, is amended to read:

Subdivision 1. [ORIGINATION FEE, CREDIT BACKGROUND REPORT COST.] The licensee may charge an origination fee of not more than \$25 and collect from the debtor the actual cost of a credit background report obtained from a credit reporting agency not related to or affiliated with the licensee or if affiliated, the total cost of the report may not exceed \$8. The costs to the debtor of said origination fee and credit background report may be made from the originating amount paid by the debtor to the licensee. The cost of only one credit background report may be collected from the debtor in any 12-month period.

Sec. 63. Minnesota Statutes 1996, section 332.23, subdivision 2, is amended to read:

Subd. 2. [WITHDRAWAL OF FEE.] The licensee may withdraw and retain as partial payment of the licensee's total fee not more than 15 percent of any sum deposited with the licensee by the debtor for distribution. The remaining 85 percent must be disbursed to listed creditors pursuant to and in accordance with the contract between the debtor and the licensee within 35 days after receipt unless the reasonable payment of one or more of the debtor's obligations requires that the funds be held for a longer period so as to accumulate a sum certain or where the debtor's payment is returned for nonsufficient funds, then no longer than 42 days. Total payment to licensee for services rendered, excluding the origination fee and any credit background report, shall not exceed 15 percent of funds deposited with licensee by debtor for distribution.

Sec. 64. Minnesota Statutes 1996, section 332.23, subdivision 5, is amended to read:

Subd. 5. [ADVANCE PAYMENTS.] Notwithstanding anything herein to the contrary no fees or charges shall be received or retained for any payments by the debtor made more than the following number of days in advance of the date specified in the contract on which they are due: (a) ~~30~~ 42 days in the case of contracts requiring monthly payments; (b) 15 days in the case of contracts requiring biweekly payments; or (c) seven days in the case of contracts requiring weekly payments. For those contracts which do not require payments in specified amounts, a payment shall be deemed an advance payment to the extent it exceeds twice the average regular payment theretofore made by the debtor pursuant to that contract. This subdivision shall not apply when it is the intention of the debtor to use such advance payments to satisfy future payment of obligations due within 30 days under the contract.

Sec. 65. Minnesota Statutes 1996, section 332.50, subdivision 1, is amended to read:

Subdivision 1. [DEFINITIONS.] "Check" means a check, draft, order of withdrawal, or similar negotiable or nonnegotiable instrument.

"Credit" means an arrangement or understanding with the drawee for the payment of the check.

"Dishonor" has the meaning given in section 336.3-502, but does not include dishonor due to a stop payment order requested by an issuer who has a good faith defense to payment on the check. "Dishonor" does include a stop payment order requested by an issuer if the account did not have sufficient funds for payment of the check at the time of presentment, except for stop payment orders on a check found to be stolen.

Sec. 66. Minnesota Statutes 1996, section 332.50, subdivision 2, is amended to read:

Subd. 2. [ACTS CONSTITUTING.] (a) Whoever issues any check that is dishonored ~~and is not~~

paid within 30 days after mailing a notice of dishonor that includes a citation to this section and section 609.535, and a description of the penalties contained in these sections, in compliance with subdivision 3, is liable to the payee, holder, or agent of the holder for the following penalties: (1) the amount of the check plus a civil penalty of up to \$100 or up to 100 percent of the value of the check, whichever is greater; (2) interest at the rate payable on judgments pursuant to section 549.09 on the face amount of the check from the date of dishonor; and (3) reasonable attorney fees if the aggregate amount of dishonored checks issued by the issuer to all payees within a six-month period is over \$1,250.

~~(b) If the amount of the dishonored check plus any service charges that have been incurred under paragraph (d) or (e) have not been paid within 30 days after having mailed a notice of dishonor in compliance with subdivision 3 but before bringing an action, a payee, holder, or agent of the holder may make a written demand for payment for the liability imposed by paragraph (a) by sending a copy of this section and a description of the liability contained in this section to the issuer's last known address.~~

~~(c) After notice has been sent but before an action under this section is heard by the court, the plaintiff shall settle the claim if the defendant gives the plaintiff the amount of the check plus court costs, any service charge owed under paragraph (d), and reasonable attorney fees if provided for under paragraph (a), clause (3).~~

~~(d) A service charge may be imposed immediately on any dishonored check, regardless of mailing a notice of dishonor, if written notice of the service charge was conspicuously displayed on the premises when the check was issued. The service charge may not exceed \$20, except that if the payee uses the services of a law enforcement agency to obtain payment of a dishonored check, a service charge of up to \$25 may be imposed if the service charge is used to reimburse the law enforcement agency for its expenses. A payee may impose only one service charge under this paragraph for each dishonored check.~~

~~(e) This subdivision prevails over any provision of law limiting, prohibiting, or otherwise regulating service charges authorized by this subdivision, but does not nullify charges for dishonored checks, which do not exceed the charges in paragraph (d) or the actual cost of collection, but in no case more than \$30, or terms or conditions for imposing the charges which have been agreed to by the parties to an express contract.~~

(a) A service charge of up to \$20, or actual costs of collection not to exceed \$30, may be imposed immediately on any dishonored check, regardless of mailing a notice of dishonor, if notice of the service charge was conspicuously displayed on the premises when the check was issued. If a law enforcement agency obtains payment of a dishonored check, a service charge not to exceed \$25 may be imposed if the service charge is retained by the law enforcement agency for its expenses. Only one service charge may be imposed under this paragraph for each dishonored check.

(b) If the amount of the dishonored check is not paid within 30 days after the payee or holder has mailed notice of dishonor pursuant to section 609.535 and a description of the penalties contained in this subdivision, whoever issued the dishonored check is liable to the payee or holder of the check for:

(1) the amount of the check, the service charge as provided in paragraph (a), plus a civil penalty of up to \$100 or the value of the check, whichever is greater. The civil penalty may not be imposed until 30 days following the mailing of the notice of dishonor. A payee or holder of the check may make a written demand for payment of the civil liability by sending a copy of this section and a description of the liability contained in this section to the issuer's last known address. Notice as provided in paragraph (a) must also include notification that additional civil penalties will be imposed for dishonored checks for nonpayment after 30 days;

(2) interest at the rate payable on judgments pursuant to section 549.09 on the face amount of the check from the date of dishonor; and

(3) reasonable attorney fees if the aggregate amount of dishonored checks issued by the issuer to all payees within a six-month period is over \$1,250.

(c) This subdivision prevails over any provision of law limiting, prohibiting, or otherwise regulating service charges authorized by this subdivision, but does not nullify charges for dishonored checks, which do not exceed the charges in paragraph (a) or terms or conditions for imposing the charges which have been agreed to by the parties in an express contract.

(d) A sight draft may not be used as a means of collecting the civil penalties provided in this section without prior consent of the issuer.

Sec. 67. Laws 1996, chapter 414, article 1, section 45, is amended to read:

Sec. 45. [EFFECTIVE DATE.]

Sections 1 to 5, 7 to 9, 11, 12, 16, 20 to 27, 30, 33, 35, 42, 43, and 44, paragraphs (b) and (c), are effective the day following final enactment. Section 44, paragraph (a), is effective July 1, 1998 1999.

Sections 10, 14, 15, 19, and 36 are effective on the effective date of the repeals in section 44, paragraph (a).

Sec. 68. [TOWN OF HASSAN; DETACHED BANKING FACILITY.]

With the prior approval of the commissioner of commerce, a bank operating its main banking office within six miles of the town of Hassan may establish and maintain not more than one detached facility in the town of Hassan. A bank desiring to establish a detached facility must follow the approval procedure prescribed in Minnesota Statutes, section 47.54. The establishment of a detached facility according to this section is subject to the provisions of Minnesota Statutes, sections 47.51 to 47.57, except to the extent those sections are inconsistent with this section.

Sec. 69. [TOWN OF THOMSON; DETACHED BANKING FACILITY.]

With the prior approval of the commissioner of commerce, a bank operating its main office within 20 miles of the town of Thomson may establish and maintain not more than one detached facility in the town of Thomson. A bank desiring to establish a detached facility must follow the approval procedure prescribed in Minnesota Statutes, section 47.54. The establishment of a detached facility pursuant to this section is subject to the provisions of Minnesota Statutes, sections 47.51 to 47.57, except to the extent those sections are inconsistent with this section.

Sec. 70. [TRANSACTION ACCOUNT CUSTOMER INFORMATION; INFORMAL WORKING GROUP.]

The commissioner of commerce shall select and convene an informal working group to make recommendation to financial intermediaries for notices to transaction account customers regarding:

(1) risks and effects of account closing due to misuse by customers as a means to enforce the deterrence objectives of Minnesota Statutes, section 48.512, subdivision 7;

(2) risks related to providing account identification to third parties for purposes of or resulting in their issuance of sight drafts; and

(3) informing the customers of the privacy terms related to the financial intermediaries' use of customer information.

The informal working group must include persons representing financial intermediaries, transaction account clearing organizations, retailers, and consumers. The commissioner shall accept recommendations from the working group for distribution to financial intermediaries to effect voluntary implementation of transaction account customer information notices prior to September 1, 1997.

Sec. 71. [SCHOOL BANK PILOT PROJECT.]

(a) A school bank sponsored by independent school district No. 31, Bemidji, that meets all

requirements of paragraph (b) is not subject to Minnesota Statutes, section 47.03, subdivision 1, or to any other statute or rule that regulates banks, other financial institutions, or currency exchanges.

(b) To qualify under paragraph (a), the school bank must:

(1) be operated as part of a high school educational program and under guidelines adopted by the school board;

(2) be advised on a regular basis by a state-chartered or federally-chartered financial institution, but not owned or operated by that financial institution;

(3) be located on school premises and have as customers only students enrolled in, or employees of, the school in which it is located; and

(4) have a written commitment from the school board, guaranteeing reimbursement of any depositor's funds lost due to insolvency of the school bank.

(c) Funds of a school bank that meets the requirements of this section are not school district or other public funds for purposes of any state law governing the use or investment of school district or other public funds.

(d) The school district shall annually file with the commissioner of commerce a report, prepared by the students and teachers involved, summarizing the operation of the school bank.

(e) This section expires June 30, 2000. The commissioner of commerce shall, no later than December 15, 1999, provide a written report to the legislature regarding this pilot project and any recommended legislation regarding school banks.

Sec. 72. [REPEALER.]

Minnesota Statutes 1996, sections 13.99, subdivision 13; 47.29; 47.31; 47.32; 49.47; 49.48; 50.03; 50.23; and 59A.14, are repealed.

Sec. 73. [EFFECTIVE DATE; APPLICABILITY.]

Sections 1, 4 to 6, 8, 10, 11, 17, 19 to 25, 28 to 31, 33 to 56, 59, 61, 63, 64, 71, and 72 are effective the day following final enactment.

Section 68 takes effect the day after compliance by the town board of the town of Hassan with Minnesota Statutes, section 645.021, subdivision 3.

Section 69 takes effect the day after compliance by the town board of the town of Thomson with Minnesota Statutes, section 645.021, subdivision 3.

Section 70 is effective June 1, 1997."

Delete the title and insert:

"A bill for an act relating to financial institutions; authorizing facsimile or electronic filings and certifications; regulating the powers and structure of certain institutions; regulating consumer credit; modifying lending authority; regulating fees and charges; making technical and conforming changes; amending Minnesota Statutes 1996, sections 46.04, by adding a subdivision; 46.044, by adding a subdivision; 46.046, by adding a subdivision; 46.047, subdivision 2; 46.07, subdivision 2; 46.131, subdivision 2; 47.20, subdivisions 9 and 14; 47.206, subdivision 6; 47.55, subdivision 1; 47.56; 47.59, subdivisions 1, 4, 5, 6, and 12; 47.61, subdivision 3; 47.64, by adding a subdivision; 47.75, subdivision 1; 48.01, subdivision 2; 48.09, by adding a subdivision; 48.15, subdivisions 2 and 4; 48.24, subdivision 2, and by adding a subdivision; 48.512, by adding a subdivision; 48.61, subdivision 7, and by adding a subdivision; 49.215, subdivision 3; 49.33; 49.36, subdivision 4; 49.42; 50.245; 51A.38, subdivision 1; 52.04, subdivision 2a, and by adding a subdivision; 52.062, subdivision 1, and by adding a subdivision; 52.063; 52.064, by adding a subdivision; 52.13; 52.201; 53.04, by adding a subdivision; 53.05; 53.09, subdivision 2a; 55.06, subdivision 1; 56.07; 56.10, subdivision 1; 56.131, subdivisions 1 and 4; 59A.08, subdivision 3, and by adding a

subdivision; 59A.11, subdivisions 2 and 3; 62B.04, subdivision 1; 300.20, subdivision 2; 303.02, subdivision 4; 303.25, subdivision 5; 325F.68, subdivision 2; 332.21; 332.23, subdivisions 1, 2, and 5; and 332.50, subdivisions 1 and 2; Laws 1996, chapter 414, article 1, section 45; proposing coding for new law in Minnesota Statutes, chapter 48; repealing Minnesota Statutes 1996, sections 13.99, subdivision 13; 47.29; 47.31; 47.32; 49.47; 49.48; 50.03; 50.23; and 59A.14."

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

House Conferees: (Signed) Gary W. Kubly, Lyndon R. Carlson, Ron Abrams

Senate Conferees: (Signed) James P. Metzen, Sam G. Solon, William V. Belanger, Jr.

Mr. Metzen moved that the foregoing recommendations and Conference Committee Report on H.F. No. 753 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.

H.F. No. 753 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 0, as follows:

Those who voted in the affirmative were:

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

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

### MESSAGES FROM THE HOUSE - CONTINUED

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. 1409, and repassed said bill in accordance with the report of the Committee, so adopted.

House File No. 1409 is herewith transmitted to the Senate.

Edward A. Burdick, Chief Clerk, House of Representatives

Transmitted May 12, 1997

### CONFERENCE COMMITTEE REPORT ON H.F. NO. 1409

A bill for an act relating to agriculture; legislative review of feedlot permit rules; amending Minnesota Statutes 1996, section 116.07, subdivision 7.

May 8, 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. 1409, report that we have agreed upon the items in dispute and recommend as follows:

That the House concur in the Senate amendments.

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

House Conferees: (Signed) Gary W. Kubly, Doug Peterson, Bob Gunther

Senate Conferees: (Signed) Dallas C. Sams, Steve Dille, Jim Vickerman

Mr. Sams moved that the foregoing recommendations and Conference Committee Report on H.F. No. 1409 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.

H.F. No. 1409 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	Hottinger	Larson	Olson	Solon
Belanger	Janezich	Lesewski	Ourada	Spear
Berg	Johnson, D.E.	Lessard	Pappas	Stevens
Berglin	Johnson, D.H.	Limmer	Pariseau	Stumpf
Betzold	Johnson, D.J.	Lourey	Piper	Ten Eyck
Cohen	Johnson, J.B.	Marty	Pogemiller	Terwilliger
Day	Kelly, R.C.	Metzen	Price	Vickerman
Dille	Kiscaden	Moe, R.D.	Robertson	Wiener
Fischbach	Kleis	Morse	Robling	Wiger
Flynn	Knutson	Murphy	Runbeck	
Frederickson	Krentz	Neuville	Sams	
Hanson	Laidig	Novak	Scheevel	
Higgins	Langseth	Oliver	Scheid	

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

## REPORTS OF COMMITTEES

Mr. Moe, R.D. moved that the Committee Report at the Desk be now adopted. The motion prevailed.

### **Mr. Johnson, D.J. from the Committee on Taxes, to which was re-referred**

**S.F. No. 1944:** A bill for an act relating to taxation; authorizing tax abatements for property that has lost value due to flood damage; providing for state reimbursement to local units of government; authorizing delay of certain local government reports; creating a priority for flooded areas in allocation of low-income housing credits; appropriating money.

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

Page 3, after line 9, insert:



"Sec. 5. [CANCELLATION OF GENERAL ELECTION AND ANNUAL MEETING; INDEPENDENT SCHOOL DISTRICT NO. 595, EAST GRAND FORKS.]

The May 20, 1997, general election and the July 1997 annual meeting in independent school district No. 595, East Grand Forks, are canceled. All filings for that election are void and all filing fees shall be returned to affected candidates. The general election shall be held on November 4, 1997, in compliance with Minnesota Statutes, chapter 205A. The annual meeting of the board shall be held on the first Monday of January 1998, or as soon thereafter as practicable. The terms of existing members whose terms would otherwise expire on July 1, 1997, shall be lengthened to expire on January 1, 1998, and the terms of existing officers shall be lengthened to the January 1998 annual meeting and until their successors are elected and qualify.

Sec. 6. Laws 1997, chapter 75, section 2, is amended to read:

Sec. 2. [EFFECTIVE DATE; EXPIRATION.]

Section 1 is effective May 2, 1997, and expires January 1, 1998."

Page 3, line 12, after the period, insert "Section 5 is effective for independent school district No. 595, East Grand Forks, the day after its compliance with the requirements of Minnesota Statutes, section 645.021, subdivision 3."

Renumber the sections in sequence

Amend the title as follows:

Page 1, line 6, before the semicolon, insert ", elections, and meetings"

Page 1, line 7, after the semicolon, insert "providing an effective date;"

Page 1, line 8, before the period, insert "; amending Laws 1997, chapter 75, section 2"

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

## SECOND READING OF SENATE BILLS

S.F. No. 1944 was read the second time.

## MOTIONS AND RESOLUTIONS

**Mrs. Lourey introduced--**

**Senate Resolution No. 54:** A Senate resolution congratulating Davin Ryan Ruedy, of Hinckley, Minnesota, for receiving the Eagle Award.

Referred to the Committee on Rules and Administration.

**Mrs. Lourey introduced--**

**Senate Resolution No. 55:** A Senate resolution congratulating Bill Kunze of Hinckley, Minnesota, for receiving the Eagle Award.

Referred to the Committee on Rules and Administration.

S.F. No. 97 and the Conference Committee Report thereon were reported to the Senate.

**CONFERENCE COMMITTEE REPORT ON S.F. NO. 97**

A bill for an act relating to health; providing for the isolation and detention of persons with active tuberculosis who pose an endangerment to the public health; establishing standards and procedures for isolation and detention; requiring reporting by licensed health professionals; modifying tuberculosis screening requirements; appropriating money; amending Minnesota Statutes 1996, section 144.445, subdivisions 1 and 3; proposing coding for new law in Minnesota Statutes, chapter 144.

May 8, 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. 97, 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. 97 be further amended as follows:

Page 8, line 18, before the period, insert "health if the person is reportable under subdivision 3, clause (3), (4), or (5)"

Page 23, delete section 16

Renumber the sections in sequence and correct the internal references

Amend the title as follows:

Page 1, line 8, delete "appropriating money;"

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

Senate Conferees: (Signed) Don Betzold, Linda Berglin, Sheila M. Kiscaden

House Conferees: (Signed) Kevin Goodno, Lynda Boudreau, Betty McCollum

Mr. Betzold moved that the foregoing recommendations and Conference Committee Report on S.F. No. 97 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. 97 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 63 and nays 0, as follows:

Those who voted in the affirmative were:

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

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

### 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.

### RECONSIDERATION

Mr. Moe, R.D. moved that the vote whereby H.F. No. 2147 was passed by the Senate on May 13, 1997, be now reconsidered. The motion prevailed. So the vote was reconsidered.

H.F. No. 2147 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.

Mr. Moe, R.D. moved that those not voting be excused from voting. The motion prevailed.

The roll was called, and there were yeas 65 and nays 0, as follows:

Those who voted in the affirmative were:

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

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

### RECESS

Mr. Moe, R.D. moved that the Senate do now recess until 11:30 a.m. The motion prevailed.

The hour of 11:30 a.m. having arrived, the President called the Senate to order.

### 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.

### MOTIONS AND RESOLUTIONS - CONTINUED

Pursuant to Rule 10, Mr. Moe, R.D., Chair of the Committee on Rules and Administration, designated S.F. No. 18 a Special Order to be heard immediately.

**SPECIAL ORDER**

**S.F. No. 18:** A bill for an act relating to employment; increasing the minimum wage; amending Minnesota Statutes 1996, section 177.24, subdivision 1.

Mr. Kelly, R.C. moved that S.F. No. 18 be laid on the table. The motion prevailed.

**CONFERENCE COMMITTEE EXCUSED**

Pursuant to Rule 21, Mr. Pogemiller moved that the following members be excused for a Conference Committee on H.F. No. 1684 at 12:00 noon:

Messrs. Pogemiller, Janezich, Mrs. Scheid, Mses. Robertson and Olson. The motion prevailed.

**CONFERENCE COMMITTEE EXCUSED**

Pursuant to Rule 21, Mr. Johnson, D.J. moved that the following members be excused for a Conference Committee on H.F. No. 2163 at 12:30 p.m.:

Messrs. Johnson, D.J.; Belanger; Hottinger; Vickerman and Ms. Pappas. The motion prevailed.

Mr. Moe, R.D. moved that H.F. No. 892 be taken from the table. The motion prevailed.

**H.F. No. 892:** A bill for an act relating to wages; raising the minimum wage; amending Minnesota Statutes 1996, section 177.24, subdivision 1.

**SUSPENSION OF RULES**

Mr. Moe, R.D. moved that an urgency be declared within the meaning of Article IV, Section 19, of the Constitution of Minnesota, with respect to H.F. No. 892 and that the rules of the Senate be so far suspended as to give H.F. No. 892 its second and third reading and place it on its final passage. The motion prevailed.

H.F. No. 892 was read the second time.

Mr. Kelly, R.C. moved to amend H.F. No. 892 as follows:

Delete everything after the enacting clause, and delete the title, of H.F. No. 892, and insert the language after the enacting clause, and the title, of S.F. No. 18, the first engrossment.

The motion prevailed. So the amendment was adopted.

Mr. Kelly, R.C. then moved to amend H.F. No. 892, as amended by the Senate May 13, 1997, as follows:

(The text of the amended House File is identical to S.F. No. 18.)

Page 1, lines 23 and 25, delete "April" and insert "September"

Page 2, delete lines 5 to 14

Page 2, line 16, delete "April" and insert "September"

The motion prevailed. So the amendment was adopted.

**RECONSIDERATION**

Having voted on the prevailing side, Mr. Kelly, R.C. moved that the vote whereby the second Kelly, R.C. amendment to H.F. No. 892 was adopted on May 13, 1997, be now reconsidered. The motion prevailed. So the vote was reconsidered.

Mr. Kelly, R.C. then moved to amend the second Kelly, R.C. amendment to H.F. No. 892 as follows:

Page 1, delete line 7

The motion prevailed. So the amendment to the amendment was adopted.

The question recurred on the adoption of the second Kelly, R.C. amendment, as amended. The motion prevailed. So the amendment, as amended, was adopted.

Mr. Dille moved to amend H.F. No. 892, as amended by the Senate May 13, 1997, as follows:

(The text of the amended House File is identical to S.F. No. 18.)

Page 2, delete lines 5 to 14 and insert:

"(d) Notwithstanding paragraph (b), every large employer must pay each tipped employee who works in a restaurant or food service establishment at a rate of at least \$4.25 an hour and every small employer must pay each such tipped employee at the rate of at least \$4 an hour. If a tipped employee does not report sufficient tips during the employer's pay period to equal the difference between the above stated hourly rate of pay and \$6 an hour, then the employer must pay the tipped employee the current minimum wage for nontipped employees.

Sec. 2. [REPEALER.]

Minnesota Statutes 1996, section 177.24, subdivision 2, is repealed."

Page 2, line 15, delete "2" and insert "3"

Page 2, line 16, delete "Section 1 is" and insert "Sections 1 and 2 are"

Amend the title as follows:

Page 1, line 3, before "amending" insert "providing a tip credit;"

Page 1, line 4, before the period, insert "; repealing Minnesota Statutes 1996, section 177.24, subdivision 2"

**CALL OF THE SENATE**

Mr. Kelly, R.C. imposed a call of the Senate for the balance of the proceedings on H.F. No. 892. The Sergeant at Arms was instructed to bring in the absent members.

The question was taken on the adoption of the amendment.

The roll was called, and there were yeas 33 and nays 33, as follows:

Those who voted in the affirmative were:

Belanger	Kiscaden	Lessard	Pariseau	Stevens
Berg	Kleis	Limmer	Robertson	Stumpf
Day	Knutson	Murphy	Robling	Terwilliger
Dille	Laidig	Neuville	Runbeck	Vickerman
Fischbach	Langseth	Oliver	Sams	Wiener
Frederickson	Larson	Olson	Scheevel	
Johnson, D.E.	Lesewski	Ourada	Solon	

Those who voted in the negative were:

Anderson	Hanson	Junge	Moe, R.D.	Samuelson
Beckman	Higgins	Kelley, S.P.	Morse	Scheid
Berglin	Hottinger	Kelly, R.C.	Novak	Spear
Betzold	Janezich	Krentz	Pappas	Ten Eyck
Cohen	Johnson, D.H.	Lourey	Piper	Wiger
Flynn	Johnson, D.J.	Marty	Pogemiller	
Foley	Johnson, J.B.	Metzen	Price	

The motion did not prevail. So the amendment was not adopted.

Mr. Kelly, R.C. moved to amend H.F. No. 892, as amended by the Senate May 13, 1997, as follows:

(The text of the amended House File is identical to S.F. No. 18.)

Page 2, delete lines 5 to 14

The motion prevailed. So the amendment was adopted.

H.F. No. 892 was read the third time, as amended, and placed on its final passage.

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

The roll was called, and there were yeas 44 and nays 22, as follows:

Those who voted in the affirmative were:

Anderson	Higgins	Kleis	Murphy	Scheid
Beckman	Hottinger	Krentz	Novak	Solon
Berglin	Janezich	Langseth	Ourada	Spear
Betzold	Johnson, D.H.	Lessard	Pappas	Stumpf
Cohen	Johnson, D.J.	Lourey	Piper	Ten Eyck
Dille	Johnson, J.B.	Marty	Pogemiller	Vickerman
Flynn	Junge	Metzen	Price	Wiener
Foley	Kelley, S.P.	Moe, R.D.	Sams	Wiger
Hanson	Kelly, R.C.	Morse	Samuelson	

Those who voted in the negative were:

Belanger	Johnson, D.E.	Lesewski	Pariseau	Stevens
Berg	Kiscaden	Limmer	Robertson	Terwilliger
Day	Knutson	Neuville	Robling	
Fischbach	Laidig	Oliver	Runbeck	
Frederickson	Larson	Olson	Scheevel	

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

### MOTIONS AND RESOLUTIONS - CONTINUED

Ms. Junge moved that S.F. No. 1006 be taken from the table. The motion prevailed.

**S.F. No. 1006:** A bill for an act relating to firefighters; authorizing certain background investigations; requiring disclosures of certain employment information; providing civil and criminal penalties; providing employers immunity for certain disclosures; modifying employment provisions for Rochester firefighters; amending Minnesota Statutes 1996, section 604A.31, by adding a subdivision; proposing coding for new law in Minnesota Statutes, chapter 299F.

Was read the third time and placed on its final passage.

The question was taken on the passage of the bill.

The roll was called, and there were yeas 54 and nays 4, as follows:

Those who voted in the affirmative were:

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

Messrs. Berg, Neuville, Mrs. Pariseau and Mr. Scheevel voted in the negative.

So the bill passed and its title was agreed to.

### RECESS

Mr. Moe, R.D. moved that the Senate do now recess subject to the call of the President. The motion prevailed.

After a brief recess, the President called the Senate to order.

### APPOINTMENTS

Mr. Moe, R.D. from the Subcommittee on Committees recommends that the following Senators be and they hereby are appointed as a Conference Committee on:

S.F. No. 1208: Meses. Berglin, Piper, Mr. Sams, Ms. Kiscaden and Mrs. Lourey.

H.F. No. 244: Messrs. Price, Stumpf and Dille.

H.F. No. 254: Mr. Knutson, Ms. Ranum, Mr. Ten Eyck, Ms. Kiscaden and Mr. Cohen.

Mr. Moe, R.D. moved that the foregoing appointments be approved. The motion prevailed.

### INTRODUCTION AND FIRST READING OF SENATE BILLS

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

#### **Mr. Kelley, S.P. introduced--**

**S.F. No. 1954:** A bill for an act relating to utilities; expanding the telephone assistance program to provide assistance to low-income families with children; establishing pilot programs for voice mail assistance; amending Minnesota Statutes 1996, sections 237.70, subdivisions 4a and 6; and 237.701, subdivision 1.

Referred to the Committee on Human Resources Finance.

#### **Ms. Ranum and Mr. Knutson introduced--**

**S.F. No. 1955:** A bill for an act relating to legislative enactments; correcting miscellaneous noncontroversial oversights, inconsistencies, ambiguities, unintended results, and technical errors; amending Minnesota Statutes 1996, section 352.96, subdivision 2.

Referred to the Committee on Judiciary.

#### **Mr. Lessard introduced--**

**S.F. No. 1956:** A bill for an act relating to cities; International Falls; providing for notification of residency requirements.

Referred to the Committee on Local and Metropolitan Government.

**Messrs. Neuville; Knutson; Johnson, D.E.; Ms. Kiscaden and Mr. Kelly, R.C. introduced--**

**S.F. No. 1957:** A bill for an act proposing an amendment to the Minnesota Constitution, article VI, sections 7 and 8; providing for appointment and reappointment of judges by the governor with advice and consent of the senate; increasing the term of office of judges to eight years; providing for interim approval of appointments by a senate commission; amending Minnesota Statutes 1996, sections 2.722, subdivision 4; 10A.01, subdivision 5; 204B.06, subdivision 4; 204B.08, subdivision 3; 204B.11; 204D.02, subdivision 1; 204D.14, subdivision 2; 480A.02, subdivisions 3 and 5; and 480B.01, subdivisions 1 and 11; proposing coding for new law in Minnesota Statutes, chapter 480B; repealing Minnesota Statutes 1996, sections 204B.06, subdivision 6; 204B.34, subdivision 3; 204B.36, subdivisions 4 and 5; and 480A.02, subdivisions 2 and 4.

Referred to the Committee on Election Laws.

### **MEMBERS EXCUSED**

Ms. Ranum was excused from the Session of today at 10:15 a.m. Ms. Berglin, Messrs. Kelley, S.P.; Kleis; Neuville; Novak; Ten Eyck; Stumpf and Ms. Kiscaden were excused from the Session of today from 10:00 to 10:35 a.m. Mr. Oliver was excused from the Session of today from 10:00 to 10:30 a.m. Mr. Beckman and Ms. Junge were excused from the Session of today from 10:00 to 11:00 a.m. Mr. Sams was excused from the Session of today from 10:15 to 10:35 a.m. Mr. Samuelson was excused from the Session of today from 10:00 a.m. to 12:00 noon.

### **ADJOURNMENT**

Mr. Moe, R.D. moved that the Senate do now adjourn until 10:00 a.m., Wednesday, May 14, 1997. The motion prevailed.

Patrick E. Flahaven, Secretary of the Senate



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