

## CHAPTER 398—H.F.No. 1599

*An act relating to agriculture; establishing the rural finance administration; authorizing the sale of state bonds; ratifying and approving an interstate compact on agricultural grain marketing; authorizing development of a plan for a memorial to Native Americans; establishing a mediation procedure; re-enacting an interest buydown program; authorizing certain deficiency judgments; prescribing a procedure to determine the amount of certain agricultural deficiency judgments; providing for farm advocate guidelines; reactivating the data collection task force; authorizing additional interest payments to certain family farm security program sellers; increasing the allowable width of certain trucks; authorizing trucks hauling sugar beets or potatoes to be overweight during certain periods; declaring crop ownership; prescribing a procedure for planting crop owners to recover crop value; providing for a lien; prescribing satisfaction and enforcement of liens; modifying venue to recover possession of personal property; allowing designation, sale and redemption of an agricultural homestead that is executed on and sold as part of other property; allowing designation, sale, and redemption of a homestead foreclosed on or part of other property; establishing filing requirements, enforcement, and priority of veterinarian's liens; declaring state policy relating to wild rice; increasing the homestead exemption to 160 acres; exempting agricultural property for certain purposes; providing certain rights of first refusal; establishing a legal services support program; protecting certain conservation practices; changing the agricultural land preservation pilot program; protecting certain rights-of-way from erosion; changing certain variances requiring a study; authorizing certain soil and water purification tests; appropriating money and authorizing issuance of bonds; excluding certain capital gains; amending Minnesota Statutes 1984, sections 138.585, by adding a subdivision; 160.27, subdivision 5; 169.01, subdivision 7; 169.80, subdivision 1; 169.81, subdivisions 2 and 3; 169.825, subdivisions 8, 10, 11, and by adding a subdivision; 169.832, by adding a subdivision; 169.86, subdivisions 2 and 5; 290.08, by adding a subdivision; 336.9-501; 480.24, by adding a subdivision; 480.242, subdivision 2; 500.24, by adding subdivisions; 510.02; 514.92; 542.06; 572.33, subdivision 1, and by adding a subdivision; 572.35; 580.23, subdivision 1; 581.09; Minnesota Statutes 1985 Supplement, sections 40.26; 92.50, subdivision 1; 92.501, subdivisions 1 and 2; 160.232; 168.013, subdivision 1e; 169.862; 221.033, subdivision 3; 256.73, subdivision 2; 290.01, subdivision 20b; 290.091, subdivision 2; 290.491; 473H.10, subdivision 3; Laws 1985, chapter 19, section 2, subdivision 2, and by adding a subdivision, and section 6, subdivision 6; proposing coding for new law in Minnesota Statutes, chapters 17; 40A; 116; 222; 273; 480; 514; 550; 557; 559; 572; 580; 581; 582; and 583; proposing coding for new law as Minnesota Statutes, chapters 41B; and 236A; repealing Minnesota Statutes 1984, sections 561.11; 561.12; 561.13; 561.14; 561.15; 561.16; and 582.04.*

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

Changes or additions are indicated by underline, deletions by ~~strikeout~~.

## ARTICLE 1

## MEDIATION

Section 1. Minnesota Statutes 1984, section 336.9-501, is amended to read:

**336.9-501 DEFAULT; PROCEDURE WHEN SECURITY AGREEMENT COVERS BOTH REAL AND PERSONAL PROPERTY.**

(1) When a debtor is in default under a security agreement, a secured party has the rights and remedies provided in this part and except as limited by subsection (3) those provided in the security agreement. He may reduce his claim to judgment, foreclose, or otherwise enforce the security interest by any available judicial procedure. If the collateral is documents the secured party may proceed either as to the documents or as to the goods covered thereby. A secured party in possession has the rights, remedies, and duties provided in section 336.9-207. The rights and remedies referred to in this subsection are cumulative.

(2) After default, the debtor has the rights and remedies provided in this part, those provided in the security agreement, and those provided in section 336.9-207.

(3) To the extent that they give rights to the debtor and impose duties on the secured party, the rules stated in the subsections referred to below may not be waived or varied except as provided with respect to compulsory disposition of collateral (subsection (3) of section 336.9-504 and section 336.9-505) and with respect to redemption of collateral (section 336.9-506) but the parties may by agreement determine the standards by which the fulfillment of these rights and duties is to be measured if such standards are not manifestly unreasonable:

(a) Subsection (2) of section 336.9-502 and subsection (2) of section 336.9-504 insofar as they require accounting for surplus proceeds of collateral;

(b) Subsection (3) of section 336.9-504 and subsection (1) of section 336.9-505 which deal with disposition of collateral;

(c) Subsection (2) of section 336.9-505 which deals with acceptance of collateral as discharge of obligation;

(d) Section 336.9-506 which deals with redemption of collateral; and

(e) Subsection (1) of section 336.9-507 which deals with the secured party's liability for failure to comply with this part.

(4) If the security agreement covers both real and personal property, the secured party may proceed under this part as to the personal property or he may proceed as to both the real and the personal property in accordance with his rights and remedies in respect of the real property in which case the provisions of this part do not apply.

Changes or additions are indicated by underline, deletions by ~~strikeout~~.

(5) When a secured party has reduced his claim to judgment the lien of any levy which may be made upon his collateral by virtue of any execution based upon the judgment shall relate back to the date of the perfection of the security interest in such collateral. A judicial sale, pursuant to such execution, is a foreclosure of the security interest by judicial procedure within the meaning of this section, and the secured party may purchase at the sale and thereafter hold the collateral free of any other requirements of this article.

(6) A person may not begin to enforce a security interest in collateral that is agricultural property subject to sections 5 to 17 that has secured a debt of more than \$5,000 unless: a mediation notice under subsection (7) is served on the debtor and a copy filed with the director; and the debtor and creditor have completed mediation under sections 5 to 17.

(7) A mediation notice under subsection (6) must contain the following notice with the blanks properly filled in.

“TO: ....(Name of Debtor)....

YOU HAVE DEFAULTED ON THE ....(Debt in Default).... SECURED BY AGRICULTURAL PROPERTY DESCRIBED AS ....(Reasonable Description of Agricultural Property Collateral)....

AS A SECURED PARTY, ....(Name of Secured Party).... INTENDS TO ENFORCE THE SECURITY AGREEMENT AGAINST THE AGRICULTURAL PROPERTY DESCRIBED ABOVE BY REPOSSESSING, FORECLOSING ON, OR OBTAINING A COURT JUDGMENT AGAINST THE PROPERTY.

YOU HAVE THE RIGHT TO HAVE THE DEBT REVIEWED FOR MEDIATION. IF YOU PARTICIPATE IN MEDIATION, THE DIRECTOR OF THE AGRICULTURAL EXTENSION SERVICE WILL PROVIDE A CREDIT ANALYST TO HELP YOU TO PREPARE FINANCIAL INFORMATION. MEDIATION WILL ATTEMPT TO ARRIVE AT AN AGREEMENT FOR HANDLING FUTURE FINANCIAL RELATIONS.

TO HAVE THE DEBT REVIEWED FOR MEDIATION YOU MUST FILE A MEDIATION REQUEST WITH THE DIRECTOR ....(Date of 14 Days after Service of the Mediation Notice).... THE MEDIATION REQUEST FORM IS AVAILABLE AT ANY COUNTY RECORDER'S OR COUNTY EXTENSION OFFICE.

FROM: ....(Name and Address of Secured Party)....”

## **Sec. 2. [550.365] MEDIATION NOTICE AND CONDITIONS FOR AGRICULTURAL PROPERTY.**

Subdivision 1. REQUIREMENT. A person may not attach, execute on, levy on, or seize agricultural property subject to sections 5 to 17 that has secured a debt of more than \$5,000 unless: (1) a mediation notice is served on the judgment debtor and a copy filed with the director; and (2) the debtor and creditor have completed mediation under sections 5 to 17.

Changes or additions are indicated by underline, deletions by ~~strikeout~~.

Subd. 2. **CONTENTS.** A mediation notice must contain the following notice with the blanks properly filled in.

"TO: ....(Name of Judgment Debtor)....

A JUDGMENT WAS ORDERED AGAINST YOU BY ....(Name of Court)....  
ON ....(Date of Judgment).

AS A JUDGMENT CREDITOR, ....(Name of Judgment Creditor).... INTENDS TO TAKE ACTION AGAINST THE AGRICULTURAL PROPERTY DESCRIBED AS ....(Description of Agricultural Property).... TO SATISFY THE JUDGMENT.

YOU HAVE THE RIGHT TO HAVE THE DEBT REVIEWED FOR MEDIATION. IF YOU PARTICIPATE IN MEDIATION, THE DIRECTOR OF THE AGRICULTURAL EXTENSION SERVICE WILL PROVIDE A CREDIT ANALYST TO HELP YOU PREPARE FINANCIAL INFORMATION. MEDIATION WILL ATTEMPT TO ARRIVE AT AN AGREEMENT FOR HANDLING FUTURE FINANCIAL RELATIONS.

TO HAVE THE DEBT REVIEWED FOR MEDIATION YOU MUST FILE A MEDIATION REQUEST WITH THE DIRECTOR ....(Date of 14 Days after Service of the Mediation Notice).... THE MEDIATION REQUEST FORM IS AVAILABLE AT ANY COUNTY RECORDER'S OR COUNTY EXTENSION OFFICE.

FROM: ....(Name and Address of Judgment Creditor)...."

Sec. 3. [559.209] **MEDIATION NOTICE AND CONDITIONS FOR AGRICULTURAL PROPERTY.**

Subdivision 1. REQUIREMENT. A person may not begin to terminate a contract for deed under section 559.21 to purchase agricultural property subject to sections 5 to 17 that secured a debt of more than \$5,000 unless: (1) a mediation notice is served on the contract for deed purchaser and a copy filed with the director; and (2) the contract for deed vendor and purchaser have completed mediation under sections 5 to 17.

Subd. 2. **CONTENTS.** A mediation notice must contain the following notice with the blanks properly filled in.

"TO: ....(Name of Contract for Deed Purchaser)....

YOU HAVE DEFAULTED ON THE CONTRACT FOR DEED OF THE AGRICULTURAL PROPERTY DESCRIBED AS ....(Size and Reasonable Location of Property, Not Legal Description)....

AS THE CONTRACT FOR DEED VENDOR, ....(Contract for Deed Vendor).... INTENDS TO TERMINATE THE CONTRACT AND TAKE BACK THE PROPERTY.

Changes or additions are indicated by underline, deletions by ~~strikeout~~.

YOU HAVE THE RIGHT TO HAVE THE CONTRACT FOR DEED DEBT REVIEWED FOR MEDIATION. IF YOU PARTICIPATE IN MEDIATION, THE DIRECTOR OF THE AGRICULTURAL EXTENSION SERVICE WILL PROVIDE A CREDIT ANALYST TO HELP YOU PREPARE FINANCIAL INFORMATION. MEDIATION WILL ATTEMPT TO ARRIVE AT AN AGREEMENT FOR HANDLING FUTURE FINANCIAL RELATIONS.

TO HAVE THE CONTRACT FOR DEED DEBT REVIEWED FOR MEDIATION YOU MUST FILE A MEDIATION REQUEST WITH THE DIRECTOR BY ....(Date of 14 Days after Service of the Mediation Notice).... THE MEDIATION REQUEST FORM IS AVAILABLE AT ANY COUNTY RECORDER'S OR COUNTY EXTENSION OFFICE.

FROM: ....(Name and Address of Contract for Deed Vendor)...."

#### **Sec. 4. [581.015] MEDIATION NOTICE AND CONDITIONS FOR AGRICULTURAL PROPERTY.**

Subdivision 1. REQUIREMENT. A person may not begin a proceeding under this chapter to foreclose a mortgage on agricultural property subject to sections 5 to 17 that has a secured debt of more than \$5,000 unless: (1) a mediation notice is served on the mortgagor and a copy is filed with the director; and (2) the mortgagor and mortgagee have completed mediation under sections 5 to 17.

Subd. 2. CONTENTS. A mediation notice must contain the following notice with the blanks properly filled in.

"TO: ....(Name of Record Owner)...."

YOU HAVE DEFAULTED ON THE MORTGAGE OF THE AGRICULTURAL PROPERTY DESCRIBED AS ....(Size and Reasonable Location, Not Legal Description)....

AS HOLDER OF THE MORTGAGE, ....(Name of Holder of Mortgage).... INTENDS TO FORECLOSE ON THE PROPERTY DESCRIBED ABOVE.

YOU HAVE THE RIGHT TO HAVE THE MORTGAGE DEBT REVIEWED FOR MEDIATION. IF YOU PARTICIPATE IN MEDIATION, THE DIRECTOR OF THE AGRICULTURAL EXTENSION SERVICE WILL PROVIDE A CREDIT ANALYST TO HELP YOU PREPARE FINANCIAL INFORMATION. MEDIATION WILL ATTEMPT TO ARRIVE AT AN AGREEMENT FOR HANDLING FUTURE FINANCIAL RELATIONS.

TO HAVE THE MORTGAGE DEBT REVIEWED FOR MEDIATION YOU MUST FILE A MEDIATION REQUEST WITH THE DIRECTOR ....(Date of 14 Days after Service of the Mediation Notice).... THE MEDIATION REQUEST FORM IS AVAILABLE AT ANY COUNTY RECORDER'S OR COUNTY EXTENSION OFFICE.

Changes or additions are indicated by underline, deletions by ~~strikeout~~.

FROM: ... (Name and Address of Holder of Mortgage)...."

Sec. 5. [583.20] CITATION.

Sections 5 to 17 may be cited as the "farmer-lender mediation act."

Sec. 6. [583.21] LEGISLATIVE FINDINGS.

The legislature finds that the agricultural sector of the state's economy is under severe financial stress due to low farm commodity prices, continuing high interest rates, and reduced net farm income. The suffering agricultural economy adversely affects economic conditions for all other businesses in rural communities as well. Thousands of this state's farmers are unable to meet current payments of interest and principal payable on mortgages and other loan and land contracts and are threatened with the loss of their farmland, equipment, crops, and livestock through mortgage and lien foreclosures, cancellation of contracts for deed, and other collection actions. The agricultural economic emergency requires an orderly process with state assistance to adjust agricultural indebtedness to prevent civil unrest and to preserve the general welfare and fiscal integrity of the state.

Sec. 7. [583.22] DEFINITIONS.

Subdivision 1. APPLICABILITY. The definitions in this section apply to sections 7 to 17.

Subd. 2. AGRICULTURAL PROPERTY. "Agricultural property" means real property that is principally used for farming as defined in section 500.24, subdivision 2, paragraph (a), and raising poultry, and personal property that is used as security to finance a farm operation or used as part of a farm operation including equipment, crops, livestock, and proceeds of the security. "Agricultural property" shall also include agriculturally related businesses as defined by the commission.

Subd. 3. COMMISSION. "Commission" means the commissioners of agriculture, finance, and commerce.

Subd. 4. CREDITOR. "Creditor" means the holder of a mortgage on agricultural property, a vendor of a contract for deed of agricultural property, a person with a lien or security interest in agricultural property, or a judgment creditor with a judgment against a debtor with agricultural property.

Subd. 5. DIRECTOR. "Director" means the director of the agricultural extension service or the director's designee.

Subd. 6. FILE. "File" means to deliver by the required date by certified mail or another method acknowledging receipt.

Subd. 7. MEDIATOR. "Mediator" means a farm mediator appointed by the director.

Changes or additions are indicated by underline, deletions by ~~strikeout~~.

Subd. 8. SERVE. "Serve" means personal service as in a district court civil action.

Sec. 8. [583.23] FARM MEDIATION.

Subdivision 1. TRAINING. The director must provide training and support for mediators.

Subd. 2. APPOINTMENT. The director must provide mediators by contracting with qualified persons experienced in farm finance, agricultural law, and negotiation.

Subd. 3. ADMINISTRATION. The director may appoint a farm mediation administrator. The administrator and director shall provide training for farm mediators and credit analysts and coordinate community legal education programs for farmers.

Sec. 9. [583.24] APPLICABILITY.

Subdivision 1. CREDITORS. (a) The farmer-lender mediation act applies to creditors who are:

- (1) the United States or an agency of the United States;
- (2) corporations, partnerships, and other business entities; and
- (3) individuals.

(b) The farmer-lender mediation act does not apply to creditors of a debtor described under subdivision 2, paragraph (b).

Subd. 2. DEBTORS. (a) Except as provided in paragraph (b) the farmer-lender mediation act applies to a debtor who is:

- (1) a person operating a family farm as defined in section 500.24, subdivision 2;
- (2) a family farm corporation as defined in section 500.24, subdivision 2;
- (3) an authorized farm corporation as defined in section 500.24, subdivision 2; or
- (4) an owner of an agriculturally related business.

(b) The farmer-lender mediation act does not apply to a debtor who owns and leases less than 60 acres with less than \$20,000 in gross sales of agricultural products the preceding year, except for an owner of an agriculturally related business as defined by the director.

Sec. 10. [583.25] VOLUNTARY MEDIATION PROCEEDINGS.

A debtor that owns agricultural property or a creditor of the debtor may

Changes or additions are indicated by underline, deletions by ~~strikeout~~.

request mediation of the indebtedness by a farm mediator by applying to the director. The director shall make voluntary mediation application forms available at the county recorder's and county extension office in each county. The director must evaluate each request and may direct a mediator to meet with the debtor and creditor to assist in mediation.

**Sec. 11. [583.26] MANDATORY MEDIATION PROCEEDINGS.**

Subdivision 1. MEDIATION NOTICE. A creditor desiring to start a proceeding to enforce a debt against agricultural property under chapter 580 or 581 or sections 336.9-501 to 336.9-508, to terminate a contract for deed to purchase agricultural property under section 559.21, or to garnish, levy on, execute on, seize, or attach agricultural property, must serve an applicable mediation notice under sections 1, 2, 3, and 4 on the debtor and the director. The creditor may not begin the proceeding until the creditor and debtor have completed mediation or as allowed under sections 5 to 17.

Subd. 2. MEDIATION REQUEST. (a) A debtor must file a mediation request form with the director by 14 days after receiving a mediation notice. The mediation request form must state all known creditors. The director shall make mediation request forms available in the county recorder's and county extension office of each county.

(b) A debtor who fails to file a timely mediation request waives the right to mediation under the farmer-lender mediation act. The director shall notify a creditor stating that the creditor may proceed against the agricultural property because the debtor has failed to file a mediation request.

(c) If a debtor has not received a mediation notice and is subject to a proceeding of a creditor enforcing a debt against agricultural property under chapter 580 or 581 or sections 336.9-501 to 336.9-508, terminating a contract for deed to purchase agricultural property under section 559.21, or garnishing, levying on, executing on, seizing, or attaching agricultural property, the debtor may file a mediation request with the commission. The mediation request form must indicate that the debtor has not received a mediation notice.

Subd. 3. CREDIT ANALYST AND FARM ADVOCATE. (a) After receiving a mediation notice, the director shall provide a credit analyst knowledgeable in agricultural and financial matters to meet with the debtor and assure that information relative to the finances of the debtor is prepared for the initial mediation meeting.

(b) After receiving the mediation notice, the director shall notify the debtor that a farm advocate may be available without charge to assist the debtor and the credit analyst.

Subd. 4. INITIAL MEDIATION MEETING. (a) By ten days after receiving a mediation request, the director shall send: (1) a mediation meeting notice to the debtor; and (2) a mediation meeting notice and claim form to all known creditors of the debtor.

Changes or additions are indicated by underline, deletions by ~~strikeout~~.



(b) The mediation meeting notice must include a time and place for an initial mediation meeting between the debtor, all known creditors of the debtor, and a list of three mediators. An initial mediation meeting must be held within 20 days of the notice.

(c) Each creditor and the debtor may request the director to exclude one mediator from the list by sending the director a notice to such effect within 3 days after receiving the mediation meeting notice. In the event that requests from the creditors to remove mediators from the list would result in the exclusion of all of the remaining mediators the director shall appoint the mediator not excluded by the creditor owed the largest debt. In the event that a debtor and creditor request the same mediator, the director shall appoint that mediator.

**Subd. 5. EFFECT OF MEDIATION MEETING NOTICE.** (a) Except as provided in paragraph (b), if a creditor receives a mediation meeting notice under subdivision 4 the creditor and the creditor's successors in interest may not continue proceedings to enforce a debt against agricultural property of the debtor under chapter 580 or 581 or sections 336.9-501 to 336.9-508, to terminate a contract for deed to purchase agricultural property under section 559.21, or to garnish, levy on, execute on, seize, or attach agricultural property. Time periods under and affecting those procedures stop running until (1) 90 days after the conclusion of mediation, or (2) a mediation agreement is reached.

(b) If a creditor is an agency of the United States and receives a mediation meeting notice under subdivision 4, the creditor and the creditor's successors in interest may not continue proceedings to enforce a debt against agricultural property of the debtor under chapter 580 or 581 or sections 336.9-501 to 336.9-508, to terminate a contract for deed to purchase agricultural property under section 559.21, or to garnish, levy on, execute on, seize, or attach agricultural property. Time periods under and affecting those procedures stop running until (1) 180 days after the conclusion of mediation, or (2) a mediation agreement is reached.

**Subd. 6. DUTIES OF MEDIATOR.** At the initial mediation meeting and subsequent meetings, the mediator shall:

- (1) listen to the debtor and the creditors desiring to be heard;
- (2) attempt to mediate between the debtor and the creditors;
- (3) advise the debtor and creditors of assistance programs available;
- (4) attempt to arrive at an agreement to fairly adjust, refinance, or pay the debts; and
- (5) advise, counsel, and assist the debtor and creditors in attempting to arrive at an agreement for the future conduct of financial relations among them.

**Subd. 7. MEDIATOR LIABILITY AND IMMUNITY.** (a) A mediator is immune from civil liability for actions within the scope of the position as

Changes or additions are indicated by underline, deletions by ~~strikeout~~.

mediator. A mediator does not have a duty to advise a creditor or debtor about the law or to encourage or assist a debtor or creditor in reserving or establishing legal rights. This subdivision is an addition to and not a limitation of immunity otherwise accorded to a mediator under law.

(b) A mediator cannot be examined about a communication or document, including worknotes, made or used in the course of or because of mediation under this section and section 12. This paragraph does not apply to the parties in the dispute in an application to a court by a party to have a mediated settlement agreement set aside or reformed. A communication or document otherwise not privileged does not become privileged because it is used in the cause of mediation. This paragraph is not intended to limit the privilege accorded to communication during mediation by the common law.

Subd. 8. MEDIATION PERIOD. The mediator may call mediation meetings during the mediation period, which is up to 60 days after the initial mediation meeting.

Subd. 9. MEDIATION AGREEMENT. (a) If an agreement is reached among the debtor and creditors the mediator shall draft a written mediation agreement, have it signed by the creditors, and, if applicable, submit the agreement to the Minnesota rural finance administration for approval of debt restructuring.

(b) The debtor and creditors who are parties to the approved mediation agreement and creditors who have filed claim forms and have not objected to the mediation agreement:

(1) are bound by the terms of the agreement;

(2) may enforce the mediation agreement as a legal contract; and

(3) may use the mediation agreement as a defense against an action contrary to the mediation agreement.

**Sec. 12. [583.27] GOOD FAITH REQUIRED, COURT SUPERVISED MEDIATION.**

Subdivision 1. OBLIGATION OF GOOD FAITH. The parties must engage in mediation in good faith. Not participating in good faith includes: (1) a failure on a regular or continuing basis to attend and participate in mediation sessions without cause; (2) failure to provide full information regarding the financial obligations of the parties and other creditors; (3) failure of the creditor to designate a representative to participate in the mediation with adequate authority to fully settle, compromise, or otherwise mediate the matter; (4) lack of a written statement of debt restructuring alternatives and a statement of reasons why alternatives are unacceptable to one of the parties; (5) failure of the creditor to release to the debtor necessary living and farm operating expenses; or (6) other similar behavior which evidences lack of good faith by the party. A

Changes or additions are indicated by underline, deletions by ~~strikeout~~.

failure to agree to reduce, restructure, refinance, or forgive debt does not, in itself, evidence lack of good faith by the creditor.

**Subd. 2. LACK OF GOOD FAITH AFFIDAVIT; MEDIATOR'S RESPONSIBILITY.** If the mediator determines that either party is not participating in good faith as defined in subdivision 1, the mediator shall file an affidavit indicating the reasons for the finding with the agricultural extension service and both parties.

**Subd. 3. CREDITOR'S LACK OF GOOD FAITH; COURT SUPERVISED MEDIATION.** If the mediator finds the creditor has not participated in mediation in good faith, the debtor may require court supervised mandatory mediation by filing the affidavit with the district court of the county where the property is located with a request for court supervision of mediation and filing a copy of the request with the creditor. Upon request the court shall require both parties to mediate under the supervision of the court in good faith for a period of not less than 60 days. All creditor remedies must be suspended during this period. The court may issue orders necessary to effect good faith mediation. Following the 60-day period, if the court finds the creditor has not participated in mediation in good faith, the court shall by order suspend the creditor's remedies for an additional period of 180 days. A creditor found by the mediator not to have participated in good faith shall pay attorneys' fees and costs of the debtor requesting court-supervision of mediation or additional suspension of creditor's remedies.

**Subd. 4. DEBTOR LACK OF GOOD FAITH.** A creditor may immediately proceed with creditor's remedies upon receipt of a mediator's affidavit of a debtor's lack of good faith notwithstanding any other requirements of sections 5 to 17.

**Sec. 13. [583.28] CREDITOR NOT ATTENDING MEDIATION MEETING.**

**Subdivision 1. FILING AND EFFECT OF CLAIM FORM.** A creditor that is notified of the initial mediation meeting is subject to and bound by a mediation agreement if the creditor does not attend mediation meetings unless the creditor files a claim form. In lieu of attending a mediation meeting, a creditor may file a notice of claim and proof of claim on a claim form with the mediator before the scheduled meeting. By filing a claim form the creditor agrees to be bound by a mediation agreement reached at the mediation meeting unless an objection is filed within the time specified. The mediator must notify the creditors who have filed claim forms of the terms of any agreement reached at the farm mediation board meeting.

**Subd. 2. OBJECTIONS TO AGREEMENTS.** A creditor who has filed a claim form may serve a written objection to the terms of the agreement on the mediator and the debtor by ten days after receiving notice of the agreement. If a creditor files an objection to the terms of an agreement, the mediator may meet again with debtors and creditors by ten days after receiving the objection to attempt to reach a new agreement. Notwithstanding the mediation period under section 11, subdivision 8, if an objection is filed, the mediator may call mediation meetings during the ten-day period following receipt of the objection.

Changes or additions are indicated by underline, deletions by ~~strikeout~~.

Sec. 14. **[583.29] PRIVATE DATA.**

All data regarding the finances of individual debtors and creditors created, collected, and maintained by the mediators or the debt restructuring commission are classified as private data on individuals under section 13.02, subdivision 12, or nonpublic data under section 13.02, subdivision 9.

Sec. 15. **[583.30] FORMS AND COMPENSATION.**

Subdivision 1. COMPENSATION. The director shall set the compensation of mediators and credit analysts.

Subd. 2. FORMS. The director shall adopt voluntary mediation application, mediation request, and claim forms.

Sec. 16. **[583.31] ENFORCEMENT.**

The mediation agreement must be enforced by the district court.

Sec. 17. **[583.32] INCONSISTENT LAWS.**

The farmer-lender mediation act has precedence over any inconsistent or conflicting laws and statutes including chapters 336, 580, and 581, and section 559.21.

Sec. 18. **REPEALER.**

Sections 1 to 17 and Minnesota Statutes, section 336.9-501, subsections (6) and (7), are repealed on July 1, 1988.

Sec. 19. **EFFECTIVE DATE.**

The article is effective the day following final enactment.

---

**ARTICLE 2**

**REDEMPTION OF AGRICULTURAL HOMESTEADS**

**Section 1. [550.175] EXECUTION ON REAL PROPERTY THAT INCLUDES HOMESTEAD.**

Subdivision 1. NOTIFICATION OF HOMESTEAD DESIGNATION. If real property is to be sold on execution and the property contains a portion of the homestead of the debtor, the debtor must be notified by the executing creditor that the homestead may be sold and redeemed separately from the

Changes or additions are indicated by underline, deletions by ~~strikeout~~.

remaining property. The notice in subdivision 2 must be included in the notice of execution served on the debtor under section 550.19.

Subd. 2. HOMESTEAD DESIGNATION NOTICE. The following notice must be included in the execution notice of real property containing a homestead that is served on a debtor under section 550.19. The notice must be in 10 point capitalized letters.

"PART OF THE PROPERTY TO BE SOLD CONTAINS YOUR HOUSE. YOU MAY DESIGNATE THE AREA OF A HOMESTEAD TO BE SOLD AND REDEEMED SEPARATELY.

YOU MAY DESIGNATE THE HOUSE YOU OCCUPY AND ANY AMOUNT OF THE PROPERTY AS A HOMESTEAD. THE DESIGNATED HOMESTEAD PROPERTY MUST CONFORM TO THE LOCAL ZONING ORDINANCES AND BE COMPACT SO THAT IT DOES NOT UNREASONABLY REDUCE THE VALUE OF THE REMAINING PROPERTY.

YOU MUST PROVIDE THE CREDITOR CAUSING THIS PROPERTY TO BE SOLD, THE SHERIFF, AND THE COUNTY RECORDER WITH A COPY OF THE LEGAL DESCRIPTION OF THE HOMESTEAD YOU HAVE DESIGNATED BY TEN BUSINESS DAYS BEFORE THE DATE THE PROPERTY IS TO BE SOLD."

Subd. 3. DESIGNATION OF HOMESTEAD PROPERTY. The debtor must designate the legal description of the homestead property to be sold separately. The homestead property designated may include any amount of the property. The designation must conform to local zoning, include the dwelling occupied by the debtor, and be compact so that it does not unreasonably affect the value of the remaining property. The debtor must serve a copy of the designation on the executing creditor, the sheriff, and the county recorder by ten business days before the sale is scheduled.

Subd. 4. SALE OF PROPERTY. If the sheriff receives a homestead property designation under subdivision 3, the sheriff must offer and sell the designated homestead property, and the remaining property, separately.

Subd. 5. REDEMPTION. The debtor may redeem the designated homestead, the remaining property, or the entire property including the homestead. The period of redemption for the designated homestead or the remaining property is the same as the period of redemption for the entire property including the designated homestead.

**Sec. 2. [550.205] REDEMPTION OF HOMESTEAD AFTER FORECLOSURE OR EXECUTION SALE.**

Subdivision 1. APPLICABILITY. This section applies to mortgagors or debtors who have had real property used in agricultural production executed on or foreclosed and have not received notices under sections 1 and 3, and is effective until the redemption period ends.

Changes or additions are indicated by underline, deletions by ~~strikeout~~.

**Subd. 2. AGREEMENT.** (a) A buyer that purchases real property used in agricultural production at a foreclosure or execution sale, and a party with the right to redeem, may agree to have the homestead redeemed separately. The written agreement must be recorded and include:

- (1) a legal description of the homestead; and
  - (2) the amount to be paid to redeem the homestead.
- (b) The homestead must comply with local zoning requirements.

**Subd. 3. PETITION.** (a) After a foreclosure or execution sale of real property used in agricultural production that contains a homestead, the party entitled to redeem the property may petition to have the homestead redeemed separately. The petition must be directed to the district court of the county where the foreclosure or execution sale was held and include:

- (1) a request that the homestead be appraised and redeemed separately;
  - (2) a description designating the dwelling occupied by the mortgagor, and up to 80 acres of the property that conforms to local zoning and is compact so that it does not unreasonably affect the value of the remaining property.
- (b) The court shall appoint an appraiser to make the appraisal and have the determination returned to the court within 30 days after the petition is filed.

**Subd. 4. DETERMINATION OF REDEMPTION COST.** (a) The district court shall schedule and hold a hearing within 30 days after receiving the appraiser's determination. The court shall consider whether redeeming the homestead separately would unjustly affect the party who purchased the property at the foreclosure or execution sale. The court may equitably adjust the size of the homestead. If the petitioner is entitled to redeem the homestead separately, the court shall determine the cost of redeeming the designated homestead and the remaining property. The cost of redeeming the homestead must include:

- (1) the appraised value of the homestead;
  - (2) the interest attributable to the portion of the debt allocated to the homestead; and
  - (3) the reasonable appraisal, court, and survey costs.
- (b) The order of the court must be made and filed within five days of the hearing.

**Subd. 5. REDEMPTION.** The party entitled to redeem may redeem the designated homestead, the remaining property, or the entire property including the homestead. The period of redemption is the period for the entire property including the designated homestead.

**Sec. 3. [582.041] FORECLOSURE OF MORTGAGE THAT INCLUDES HOMESTEAD.**

Changes or additions are indicated by underline, deletions by ~~strikeout~~.

Subdivision 1. NOTIFICATION OF HOMESTEAD DESIGNATION. If a mortgage on real property is foreclosed and the property contains a portion of the homestead of the mortgagor, the mortgagor must be notified by the foreclosing mortgagee that the homestead may be sold and redeemed separately from the remaining property. The notice in subdivision 2 must be included in the notice of foreclosure served on the mortgagor under section 580.04 or for a foreclosure by action under chapter 581, in the summons and complaint.

Subd. 2. HOMESTEAD DESIGNATION NOTICE. (a) The following notice must be included in the foreclosure notice of property containing a homestead that is served on the mortgagor under section 580.04. The notice must be in 10 point capitalized letters.

"PART OF THE PROPERTY TO BE SOLD CONTAINS YOUR HOUSE. YOU MAY DESIGNATE THE AREA OF A HOMESTEAD TO BE SOLD AND REDEEMED SEPARATELY.

YOU MAY DESIGNATE THE HOUSE YOU OCCUPY AND ANY AMOUNT OF THE PROPERTY AS A HOMESTEAD. THE DESIGNATED HOMESTEAD PROPERTY MUST CONFORM TO THE LOCAL ZONING ORDINANCES AND BE COMPACT SO THAT IT DOES NOT UNREASONABLY REDUCE THE VALUE OF THE REMAINING PROPERTY.

YOU MUST PROVIDE THE PERSON FORECLOSING ON THE PROPERTY, THE SHERIFF, AND THE COUNTY RECORDER WITH A COPY OF THE LEGAL DESCRIPTION OF THE HOMESTEAD YOU HAVE DESIGNATED BY TEN BUSINESS DAYS BEFORE THE DATE THE PROPERTY IS TO BE SOLD."

(b) The following notice must be served with the summons and complaint in an action to foreclose a mortgage of property containing a homestead under chapter 581. The notice must be in 10 point capitalized letters.

"PART OF THE PROPERTY TO BE SOLD CONTAINS YOUR HOUSE. YOU MAY DESIGNATE THE AREA OF A HOMESTEAD TO BE SOLD AND REDEEMED SEPARATELY.

YOU MAY DESIGNATE THE HOUSE YOU OCCUPY AND UP TO 80 ACRES OF THE PROPERTY AS A HOMESTEAD. THE DESIGNATED HOMESTEAD PROPERTY MUST CONFORM TO THE LOCAL ZONING ORDINANCES AND BE COMPACT SO THAT IT DOES NOT UNREASONABLY REDUCE THE VALUE OF THE REMAINING PROPERTY.

YOU MUST PROVIDE THE COURT WITH A LEGAL DESCRIPTION OF THE HOMESTEAD YOU HAVE DESIGNATED."

Subd. 3. DESIGNATION OF HOMESTEAD PROPERTY. The mortgagor must designate a legal description of the homestead property to be sold separately. The homestead property designated may include any amount of the property. The designation must conform to local zoning, include the dwelling occupied by the mortgagor, and be compact so that it does not unreasonably

Changes or additions are indicated by underline, deletions by ~~strikeout~~.

affect the value of the remaining property. The mortgagor must serve a copy of the designation on the foreclosing mortgagee, the sheriff, and the county recorder by ten business days before the sale is scheduled, or for a foreclosure by action under chapter 581, a copy of the designation must be provided to the court.

Subd. 4. SALE OF PROPERTY. If the sheriff receives a homestead property designation under subdivision 3, or is ordered by the court, the sheriff must offer and sell the designated homestead property, and the remaining property, separately.

Subd. 5. REDEMPTION. The mortgagor may redeem the designated homestead, the remaining property, or the entire property including the homestead. The period of redemption is the period for the entire property including the designated homestead.

**Sec. 4. REPEALER.**

Minnesota Statutes 1984, section 582.04, is repealed. Section 2 is repealed effective August 30, 1987.

**Sec. 5. EFFECTIVE DATE.**

This article is effective the day after final enactment and applies to all foreclosures or executions on real property that have foreclosure notices or summons and complaint served on the mortgagor or execution notices served on the debtor on or after the effective date.

---

**ARTICLE 3**

**FAMILY FARM LEGAL ASSISTANCE PROGRAM**

**Section 1. [480.250] ADMINISTRATION OF FAMILY FARM LEGAL ASSISTANCE PROGRAM.**

Subdivision 1. CONTRACT AND ADMINISTRATION. The supreme court shall contract with one or more established nonprofit corporations to provide a family farmer legal assistance program for financially distressed state farmers by 60 days after funding is available. The family farmer legal assistance must be directed at farm financial problems, including, but not limited to, bankruptcy, discharge of debt, general debtor-creditor relations, and tax considerations. The supreme court may delegate responsibility for administering funds under the contract to the advisory committee established under section 480.242, subdivision 1.

Changes or additions are indicated by underline, deletions by ~~strikeout~~.



Subd. 2. LEGAL ASSISTANCE PROVIDER. The supreme court may contract only with a legal assistance provider that:

(1) is established as a nonprofit corporation under chapter 317 and tax exempt under section 501(c)(3) of the Internal Revenue Code as amended through December 31, 1985;

(2) is organized principally to provide legal assistance;

(3) has a proven record of delivery of effective, high quality legal assistance;

(4) has experience and demonstrated expertise in addressing legal issues affecting financially distressed family farmers;

(5) can begin providing delivery of legal assistance to financially distressed farmers within 30 days after the contract is awarded; and

(6) can provide legal assistance to farmers throughout the state.

Subd. 3. DISTRIBUTION OF FUNDS; LIMITATIONS. (a) None of the funds distributed to recipients selected in accordance with the provisions of this section may be used for activities promoting nonjudicial changes in the law. Actions precluded include:

(1) appearance before legislative or administrative rulemaking bodies for the purpose of promoting changes in existing law, unless the appearance is requested by a member of that body; and

(2) preparation or assisting in the preparation of written statements promoting changes in existing law intended to be entered into the record of a legislative or rulemaking procedure.

(b) The preceding restrictions limit only those activities for which contract funding is received and in no way limit the activities of any attorney acting in a pro bono capacity.

**Sec. 2. [480.252] FAMILY FARM LEGAL ASSISTANCE PROGRAM.**

Subdivision 1. REQUIREMENTS. The family farmer legal support program shall provide:

(1) legal backup and research support to attorneys throughout the state who represent financially distressed farmers;

(2) direct legal advice and representation to eligible farmers in the most effective and efficient manner, giving special emphasis to enforcement of legal rights affecting large numbers of farmers;

(3) legal information to individual farmers;

(4) general farm related legal education and training to farmers, private attorneys, legal services staff, and the public;

Changes or additions are indicated by underline, deletions by ~~strikeout~~.

(5) an incoming, statewide, toll free telephone line to provide the advice and referral requirements in this subdivision; and

(6) legal advice and representation to farmers and small business operators whose loans are currently held by the Federal Deposit Insurance Corporation.

Subd. 2. PRIORITIES. In meeting the requirements of subdivision 1, recipients of funds under the family farm legal support program shall adhere to the following priorities:

(1) provide legal services to eligible persons whose bank loans are held by the Federal Deposit Insurance Corporation;

(2) provide basic legal information relating to liquidation of farm property, farm credit, farm foreclosure, repossession of farm assets, restructuring of farm debt and other farm financial problems upon request by farmers, state and local officials, and state-supported farm management advisors;

(3) represent and provide advice to individual eligible farmers in pursuit of legal remedies relating to liquidation of farm property, farm credit, farm foreclosure, repossession of farm assets, restructuring of farm debt, and other farm financial problems; and

(4) provide legal backup and research support to private attorneys who are representing farmers in matters relating to liquidation of farm property, farm credit, farm foreclosure, repossession of farm assets, restructuring of farm debt, and other farm financial problems.

Subd. 3. REPORT. The legal assistance provider shall submit a report to the supreme court each six months during the contract period demonstrating that the requirements in subdivision 1 have been met.

Subd. 4. TERMINATION. A contract under sections 1 to 4 may be terminated by the supreme court, or denied for renewal, upon reasonable written notice and good cause shown. A contract under sections 1 to 4 must be terminated if funds are used in a manner inconsistent with section 1.

### Sec. 3. [480.254] LEGAL ASSISTANCE ELIGIBILITY.

(a) A person is eligible for legal assistance under section 2 if the person:

(1) is a state resident;

(2) is or has been a farmer, or a family shareholder of a family farm corporation within the preceding 24 months;

(3) has a debt-to-asset ratio greater than 50 percent;

(4) has a reportable federal adjusted gross income of \$15,000 or less in the previous tax year; and

Changes or additions are indicated by underline, deletions by ~~strikeout~~.

(5) is financially unable to retain legal representation.

(b) Qualifying farmers and small business operators whose bank loans are held by the Federal Deposit Insurance Corporation are eligible for legal assistance under section 2.

Sec. 4. **[480.256] ANNUAL REPORT.**

A legal assistance provider shall submit a report to the supreme court, the senate committee on agriculture and natural resources, and the agriculture committee of the house of representatives by January 15 after each year of funding. The report must describe the activities and expenses under the contract during the previous calendar year and a summary of additional legal representation needed by distressed family farmers.

Sec. 5. **EFFECTIVE DATE.**

This article is effective the day following final enactment.

---

**ARTICLE 4**

**INTERSTATE COMPACT ON AGRICULTURAL  
GRAIN MARKETING**

**Section 1. [236A.01] INTERSTATE COMPACT ON AGRICULTURAL  
GRAIN MARKETING.**

The state of Minnesota ratifies and approves the following compact:

Interstate Compact on Agricultural

Grain Marketing

Article I. - Purpose

It is the purpose of this compact to protect, preserve, and enhance:

(a) the economic and general welfare of citizens of the joining states engaged in the production and sale of agricultural grains;

(b) the economies and very existence of local communities in such states, the economies of which are dependent upon the production and sale of agricultural grains; and

Changes or additions are indicated by underline, deletions by ~~strikeout~~.

(c) the continued production of agricultural grains in such states in quantities necessary to feed the increasing population of the United States and the world.

#### Article II. - Definitions

As used in this compact:

(a) "State" means any state of the United States in which agricultural grains are produced for the markets of the nation and world.

(b) "Agricultural grains" means wheat, durum, spelt, triticale, oats, rye, corn, barley, buckwheat, flaxseed, safflower, sunflower seed, soybeans, sorghum grains, peas, and beans.

#### Article III. - Commission

##### (a) Organization and Management

(1) There is hereby created an agency of the member states to be known as the Interstate Agricultural Grain Marketing Commission, hereinafter called the commission. The commission shall consist of three residents of each member state who shall have an agricultural background and who shall be appointed as follows: (i) one member appointed by the governor, who shall serve at the pleasure of the governor; (ii) one senator appointed in the manner prescribed by the senate of such state, except that two senators may be appointed by the Governor of the State of Nebraska from the unicameral legislature of the state of Nebraska; and (iii) one member of the house of representatives appointed in the manner prescribed by the house of representatives of such state.

The member first appointed by the governor shall serve for a term of one year and the senator and representative first appointed shall each serve for a term of two years; thereafter all members appointed shall serve for two-year terms. The attorneys general of member states or assistants designated thereby shall be nonvoting members of the commission.

(2) Each member shall be entitled to one vote. A member must be present to vote and no voting by proxy shall be permitted. The commission shall not act unless a majority of the voting members are present, and no action shall be binding unless approved by a majority of the total number of voting members present.

(3) The commission shall be a body corporate of each member state and shall adopt an official seal to be used as it may provide.

(4) The commission shall hold an annual meeting and such other regular meetings as its bylaws may provide and such special meetings as its executive committee may determine. The commission bylaws shall specify the dates of the annual and any other regular meetings, and shall provide for the giving of

Changes or additions are indicated by underline, deletions by ~~strikeout~~.

notice of annual, regular, and special meetings. Notices of special meetings shall include the reasons therefor and an agenda of the items to be considered.

(5) The commission shall elect annually, from among its voting members, a chairperson, a vice-chairperson, and a treasurer. The commission shall appoint an executive director who shall serve at its pleasure, and shall fix the duties and compensation of such director. The executive director shall be secretary of the commission. The commission shall make provision for the bonding of such of its officers and employees as it may deem appropriate.

(6) Irrespective of the civil service, personnel, or other merit system laws of any member state, the executive director shall appoint or discharge such personnel as may be necessary for the performance of the functions of the commission and shall fix, with the approval of the commission, their duties and compensation. The commission bylaws shall provide for personnel policies and programs. The commission may establish and maintain, independently of or in conjunction with any one or more of the member states, a suitable retirement system for its full-time employees. Employees of the commission shall be eligible for social security coverage in respect of old age and survivors insurance provided that the commission takes such steps as may be necessary pursuant to federal law to participate in such program of insurance as a governmental agency or unit. The commission may establish and maintain or participate in such additional programs of employee benefits as may be appropriate. The commission may borrow, accept, or contract for the services of personnel from any state, the United States, or any other governmental entity.

(7) The commission may accept for any of its purposes and functions any and all donations and grants of money, equipment, supplies, materials, and services, conditional or otherwise, from any governmental entity, and may utilize and dispose of the same.

(8) The commission may establish one or more offices for the transacting of its business.

(9) The commission shall adopt bylaws for the conduct of its business. The commission shall publish its bylaws in convenient form, and shall file a copy of the bylaws and any amendments thereto with the appropriate agency or officer in each of the member states.

(10) The commission annually shall make to the governor and legislature of each member state a report covering its activities for the preceding year. Any donation or grant accepted by the commission or services borrowed shall be reported in the annual report of the commission, and shall include the nature, amount, and conditions, if any, of the donation, gift, grant, or services borrowed and the identity of the donor or lender. The commission may make additional reports as it may deem desirable.

Changes or additions are indicated by underline, deletions by ~~strikeout~~.

(b) Committees

(1) The commission may establish such committees from its membership as its bylaws may provide for the carrying out of its functions.

Article IV. - Powers and Duties of Commission

(a) The commission shall conduct comprehensive and continuing studies and investigations of agricultural grain marketing practices, procedures, and controls and their relationship to and effect upon the citizens and economies of the member states.

(b) The commission shall make recommendations for the correction of weaknesses and solutions to problems in the present system of agricultural grain marketing or the development of alternatives thereto, including the development, drafting, and recommendation of proposed state or federal legislation.

(c) The commission is hereby authorized to do all things necessary and incidental to the administration of its functions under this compact.

Article V. - Finance

(a) The commission shall submit to the governor of each member state a budget of its estimated expenditures for such period as may be required by the laws of that state for presentation to the legislature thereof.

(b) The money necessary to finance the general operations of the commission not otherwise provided for in carrying forth its duties, responsibilities, and powers as stated herein shall be appropriated to the commission by the member states, when authorized by the respective legislatures. Appropriations by member states for the financing of the operations of the commission in the initial biennium of the compact shall be in the amount of \$50,000 for each member state; thereafter the total amount of appropriations requested shall be apportioned among the member states in the manner determined by the commission. Failure of a member state to provide its share of financing shall be cause for the state to lose its membership in the compact.

(c) The commission shall not incur any obligations of any kind prior to the making of appropriations adequate to meet the same; nor shall the commission pledge the credit of any of the member states, except by and with the authority of the member state.

(d) The commission shall keep accurate accounts of all receipts and disbursements. The receipts and disbursements of the commission shall be subject to the audit and accounting procedures established under its bylaws. However, all receipts and disbursements of funds handled by the commission shall be audited yearly by a certified or licensed public accountant and the report of the audit shall be included in and become part of the annual report of the commission.

Changes or additions are indicated by underline, deletions by strikethrough.

(e) The accounts of the commission shall be open for inspection at any reasonable time.

Article VI. - Eligible Parties, Entry Into Force, Withdrawal and Termination

(a) Any agricultural grain marketing state may become a member of this compact.

(b) This compact shall become effective initially when enacted into law by any five states prior to July 1, 1988, and in additional states upon their enactment of the same into law.

(c) Any member state may withdraw from this compact by enacting a statute repealing the compact, but such withdrawal shall not become effective until one year after the enactment of such statute and the notification of the commission thereof by the governor of the withdrawing state. A withdrawing state shall be liable for any obligations which it incurred on account of its membership up to the effective date of withdrawal, and if the withdrawing state has specifically undertaken or committed itself to any performance of an obligation extending beyond the effective date of withdrawal, it shall remain liable to the extent of such obligation.

(d) This compact shall terminate one year after the notification of withdrawal by the governor of any member state which reduces the total membership in the compact to less than five states.

**Sec. 2. EFFECTIVE DATE.**

This article is effective the day after final enactment.

---

**ARTICLE 5**

**ASSET EXEMPTION**

Section 1. Minnesota Statutes 1985 Supplement, section 256.73, subdivision 2, is amended to read:

**Subd. 2. ALLOWANCE BARRED BY OWNERSHIP OF PROPERTY.** Ownership by an assistance unit of property as follows is a bar to any allowance under sections 256.72 to 256.87:

(1) The value of real property other than the homestead, which when combined with other assets exceeds the limits of paragraph (2), unless the assistance

Changes or additions are indicated by underline, deletions by ~~strikeout~~.

unit is making a good faith effort to sell the nonexcludable real property. The time period for disposal must not exceed nine months and the assistance unit shall execute an agreement to dispose of the property to repay assistance received during the nine months up to the amount of the net sale proceeds. The payment must be made when the property is sold. If the property is not sold within the required time or the assistance unit becomes ineligible for any reason the entire amount received during the nine months is an overpayment and subject to recovery. For the purposes of this section "homestead" means the house owned and occupied by the child, relative or other member of the assistance unit as his dwelling place, together with the land upon which it is situated in an area no greater than two contiguous lots in a platted or laid out city or town or ~~§0~~ all contiguous acres in rural areas; or

(2) Personal property of an equity value in excess of \$1,000 for the entire assistance unit, exclusive of personal property used as the home, one motor vehicle of an equity value not exceeding \$1,500, one burial plot for each member of the assistance unit, one prepaid burial contract with an equity value of no more than \$1,000 for each member of the assistance unit, clothing and necessary household furniture and equipment and other basic maintenance items essential for daily living, in accordance with rules promulgated by and standards established by the commissioner of human services.

#### Sec. 2. **EFFECTIVE DATE.**

This article is effective the day following final enactment.

---

## ARTICLE 6

### MINNESOTA RURAL FINANCE ADMINISTRATION

#### Section 1. **[41B.01] CITATION; PURPOSE.**

Subdivision 1. CITATION. This article shall be known as and may be cited as the "Minnesota rural finance administration act of 1986."

Subd. 2. PURPOSE. This article creates and establishes the Minnesota rural finance administration and establishes a program under which state bonds are authorized to be issued and proceeds of their sale are appropriated under the authority of article XI, section 5, clause (h) of the Minnesota Constitution, to develop the state's agricultural resources by extending credit on real estate security. The purpose of the program and of the bonds issued to finance or provide security for the program is to purchase participation interests in loans to be

Changes or additions are indicated by underline, deletions by ~~strikeout~~.



made available by agricultural lenders to farmers in order to restructure existing debt and to make available additional credit to farmers who own or purchase agricultural properties on terms and conditions not otherwise available from other credit sources. It is hereby found and declared that there presently exist in the state economic conditions which have severely adversely affected the economic viability of farms to the detriment of the rural economy and to the detriment of the economy of the state of Minnesota as a whole. It is further found and declared that as a result of public agricultural policies, agricultural market conditions, and other causes, the condition of the farm economy of the state of Minnesota is such as to jeopardize the continued existence and successful operation of farms in this state, necessitating the establishment of the program in this article to provide new sources of credit on favorable terms and conditions. It is further found and declared that providing credit for farmers on favorable terms and conditions will serve and promote the public welfare by assuring the viability of farm operations, by preventing erosion of the tax base in rural areas, by reducing foreclosures on farm property, and by enhancing the financial stability of farmers and of the businesses which depend on farmers as customers. It is further found and declared that in establishing a Minnesota rural finance administration and in authorizing the programs in this article, the legislature is acting in all respects for the benefit of the people of the state of Minnesota to serve the public purpose of improving and otherwise promoting their health, welfare, and prosperity and that the Minnesota rural finance administration, as created and established, is empowered to act on behalf of the people of the state of Minnesota in serving this public purpose for the benefit of the general public.

**Sec. 2. [41B.02] DEFINITIONS.**

Subdivision 1. SCOPE. For the purposes of this article the terms defined in this section have the meanings given them.

Subd. 2. ADMINISTRATION. "Administration" means the Minnesota rural finance administration created in section 3.

Subd. 3. FARM. "Farm" means a family farm as defined in section 500.24, located in Minnesota.

Subd. 4. ELIGIBLE AGRICULTURAL LENDER; ELIGIBLE LENDER. "Eligible agricultural lender" or "eligible lender" means an entity of the kind described in section 5, subdivision 6, which enters into an agreement with the administration providing for the purchase by the administration of participation interests in eligible agricultural loans originated and serviced by the qualified agricultural lender.

Subd. 5. ELIGIBLE BORROWER. "Eligible borrower" means a borrower who meets the eligibility criteria in section 3.

Subd. 6. QUALIFIED AGRICULTURAL LOAN. "Qualified agricultural loan" means a loan to an eligible borrower made by an eligible agricultural

Changes or additions are indicated by underline, deletions by ~~strikeout~~.

lender which the administration purchases or in which the administration purchases a participation interest.

Subd. 7. BONDS. "Bonds" means bonds, notes, or other obligations issued by the administration. For the purposes of section 19, "bonds" also includes bonds or other obligations issued by the state.

Subd. 8. SECURITY ACCOUNT. "Security account" means the rural finance administration security account established in section 19, subdivision 5.

Subd. 9. PRIMARY PRINCIPAL. "Primary principal" means that portion of the principal outstanding on a loan covered by this article that is equal to the current market value of the property secured by the loan.

Subd. 10. SECONDARY PRINCIPAL. "Secondary principal" means that portion of the principal outstanding on a loan covered by this article that is in excess of the current market value of the property secured by the loan.

Subd. 11. BASIC INTEREST. "Basic interest" means that part of interest on primary principal that is payable annually.

Subd. 12. DEFERRED INTEREST. "Deferred interest" means that portion of the interest on primary principal and secondary principal the payment of which is deferred for the term of the loan. The deferred interest on primary principal may accrue at a different rate from the deferred interest on secondary principal as described in section 5.

Subd. 13. CURRENT MARKET VALUE. "Current market value" means the value determined by an appraisal considering comparable sales in the area where the real estate is located and the reasonable productive value of the property based on past production history. The state and the eligible agricultural lender must mutually agree on the current market value.

Subd. 14. BORROWER. "Borrower" means the person or persons liable on a restructured note.

Subd. 15. ORIGINAL LOAN. "Original loan" means a loan prior to restructuring.

Subd. 16. RESTRUCTURED LOAN. "Restructured loan" means a loan after it is modified pursuant to section 5.

Subd. 17. MARKET RATE. "Market rate" means an interest rate based on a formula established in rule and certified each month by the commissioner of finance.

### **Sec. 3. [41B.03] BORROWER ELIGIBILITY CRITERIA.**

To be eligible for a program in this article:

(a) A borrower must be a resident of Minnesota or a domestic family farm corporation, as defined in section 500.24, subdivision 2.

Changes or additions are indicated by underline, deletions by ~~strikeout~~.

(b) The borrower or one of the borrowers must be the principal operator of the farm.

(c) The borrower or one of the borrowers must have received at least 50 percent of his or her annual gross income from farming, and farming must be the principal occupation of the borrower.

(d) The borrower must have a debt to asset ratio equal to or greater than 50 percent. In determining this ratio, the assets must be determined by the current market value of the assets.

(e) The borrower's projected annual expenses, including operating expenses, family living, and interest expenses after the restructuring, must not exceed 95 percent of the borrower's projected annual income considering prior production history and projected prices for farm production.

(f) The borrower must be unable to meet projected annual expenses without restructuring the loan.

(g) The borrower must not previously have received restructuring assistance pursuant to this article.

#### Sec. 4. [41B.035] RURAL FINANCE ADMINISTRATION.

Subdivision 1. ESTABLISHMENT. There is created a public body corporate and politic to be known as the "Minnesota rural finance administration," which shall perform the governmental functions and exercise the sovereign powers delegated to it in this article in furtherance of the public policies and purposes declared in section 1. The board of the administration consists of the commissioners of agriculture, commerce, and finance, the state auditor, and three public members appointed by the governor with the advice and consent of the senate. No public member may reside within the metropolitan area, as defined in section 473.02, subdivision 5. Each member shall hold office until a successor has been appointed and has qualified. A certificate of appointment or reappointment of any member is conclusive evidence of the proper appointment of the member.

Subd. 2. TERMS; COMPENSATION; REMOVAL; VACANCIES. The membership terms, compensation, removal of members, and filling of vacancies for the public members of the administration are as provided in section 15.0575.

Subd. 3. CHAIRPERSON. The commissioner of finance is the chairperson of the board. The commissioner of agriculture is the vice-chairperson of the board.

Subd. 4. MANAGEMENT AND CONTROL. The management and control of the administration is vested solely in the board in accordance with this article.

Subd. 5. BOARD ACTIONS. The powers of the board are vested in the

Changes or additions are indicated by underline, deletions by ~~strikeout~~.

members in office from time to time. A majority of the members of the board, excluding vacancies, constitutes a quorum for the purpose of conducting its business and exercising its powers and for all other purposes. Action may be taken by the board upon a vote of a majority of a quorum present.

Subd. 6. ADMINISTRATIVE CONTROL. The administration is under the administrative control of the commissioner of finance.

Subd. 7. PERSONAL LIABILITY. The members and officers of the administration are not liable personally, either jointly or severally, for any debt or obligation created or incurred by the administration.

#### Sec. 5. [41B.04] LOAN RESTRUCTURING PROGRAM.

Subdivision 1. RESTRUCTURING AUTHORITY. The administration may enter into agreements or programs with eligible agricultural lenders for the restructuring of mortgage loans on real property located in Minnesota which is farmed by Minnesota residents, on such terms and conditions as the administration determines are not inconsistent with this article. This section governs the programs of the administration.

Subd. 2. IMPLEMENTATION OF PROGRAM. The administration may implement a program to restructure agricultural loans and to purchase loan participation interests in qualified restructuring loans made by eligible agricultural lenders to eligible borrowers. Each such purchase shall be made only upon determination by or on behalf of the administration that the loan is a qualified restructuring loan as provided in this section.

Subd. 3. CRITERIA. Loans must comply with the following criteria:

(a) Each loan must be for the purpose of developing the state's agricultural resources and must be an extension of credit on real estate security. The loan may be secured by eligible security in addition to real estate. The security interests granted by the eligible borrower must be senior and prior to any other security interest in the pledged assets.

(b) No loan may be made to finance activities of the borrower which are not an agricultural use as defined in section 40A.02, subdivision 3.

(c) A participation interest in a restructuring loan may be purchased by the administration only if the eligible agricultural lender has determined and has certified to the administration that the borrower is an eligible borrower who has the reasonable ability to make timely payment of principal and interest on the loan when due over the term of the loan. The eligible agricultural lender shall further certify to the administration that the loan is a qualified agricultural loan.

Subd. 4. PROGRAM AVAILABILITY. The administration shall exercise its best efforts to assure that credit made available through the loan restructuring program is made available throughout the agricultural areas of the state, and that the number or amount of loans are not unduly concentrated in any one area of the state.

Changes or additions are indicated by underline, deletions by ~~strikeout~~.

Subd. 5. BENEFITS. The administration shall exercise its best efforts to assure that the program provides the maximum feasible benefits to as many eligible borrowers as is reasonably possible.

Subd. 6. TYPES OF LENDERS. Any bank, credit union, savings and loan association chartered by the state or federal government, unit of the farm credit system, the federal deposit insurance corporation, the federal savings and loan insurance corporation, and any insurance company, fund, or other financial institution doing business as an agricultural lender within the state is eligible for consideration as an eligible agricultural lender if the administration determines that the lender has sufficient personnel and other resources to efficiently and properly originate and service the qualified agricultural loans. Each such eligible agricultural lender shall enter into one or more agreements with the administration providing for the origination and servicing of qualified restructuring loans on the terms and conditions the administration determines to be appropriate.

Subd. 7. RESTRUCTURING PROCEDURE. The eligible agricultural lender or borrower shall propose restructuring a loan to the administration. Within 30 days of receiving adequate information concerning a proposal, the administration and the eligible lender shall notify the borrower of their determination of eligibility. An eligible agricultural lender shall then expeditiously conduct necessary appraisals and draft the loan restructuring agreement which must be consistent with this section and documents previously approved by the administration and eligible lenders. The loan restructuring agreement must be approved by the eligible lender, the administration, and the borrower.

An eligible borrower may participate in the restructured loan or the home-stead redemption loan, but not both loans.

Subd. 8. STATE'S PARTICIPATION. With respect to loans that are eligible for restructuring under this article and upon acceptance by the administration, the administration shall enter into a participation agreement or other financial arrangement whereby it shall participate in a restructured loan to the extent of one quarter of the primary principal or \$50,000, whichever is less, except that the administration may participate in restructured loans made for the redemption of homesteads to the extent of one-half of the primary principal or \$25,000, whichever is less. The administration's portion of the loan must thereafter be protected by the first mortgage held by the eligible lender to the extent of its participation in the loan.

Subd. 9. RESTRUCTURED LOAN AGREEMENT. (a) All payments on the primary and secondary principal of the restructured loan, all payments of interest on the secondary principal, and an agreed portion of the interest payable to the eligible agricultural lender on the primary principal must be deferred to the end of the term of the loan.

(b) A borrower may prepay the restructured loan, with all primary and secondary principal and interest and deferred interest at any time without prepayment penalty.

Changes or additions are indicated by underline, deletions by strikeout.

(c) Interest on secondary principal must accrue at a below market interest rate.

(d) At the conclusion of the term of the restructured loan, the borrower owes primary principal, secondary principal, and deferred interest on primary and secondary principal. However, part of this balloon payment may be forgiven following an appraisal by the lender and the administration to determine the current market value of the real estate subject to the mortgage. If the current market value of the land after appraisal is less than the amount of debt owed by the borrower to the lender and administration on this obligation, that portion of the obligation that exceeds the current market value of the real property must be forgiven by the lender and the administration in the following order:

- (1) deferred interest on secondary principal;
- (2) secondary principal;
- (3) deferred interest on primary principal;
- (4) primary principal as provided in an agreement between the administration and the lender; and
- (5) accrued but not deferred interest on primary principal.

The debt forgiveness may be combined with a renegotiated loan on the unforgiven balance due if the borrower is able to establish that there are reasonable prospects of repayment on a debt equal to the current market value of real estate at then existing interest rates. If so, the loan must be reamortized on terms and conditions acceptable to the lender, the administration, and the farmer.

Subd. 10. INTEREST RATE. The interest rate per annum on the portion of the restructuring loan represented by the participation interest purchased by the administration must be that rate of interest determined by the administration to be necessary to provide for the timely payment of principal and interest when due on bonds or other obligations issued by the administration, and to provide for the reasonable and necessary costs of issuing, carrying, administering, and securing the bonds or notes and to pay the costs incurred and to be incurred by the administration in the implementation of the program. The interest rate per annum borne by the primary principal portion of the restructuring loan retained by the eligible agricultural lender must be a rate of interest approved by the administration. The administration may specify the points, fees, and other charges which the eligible agricultural lender may charge to the eligible borrower.

Subd. 11. ADMINISTRATION. The eligible lender shall administer the loans and shall bear all costs of the loan administration. Ordinary costs of administration include appraisals, litigation, abstracts of title, and similar costs. The administration agrees to share in any other responsibilities common to a loan participation agreement.

Changes or additions are indicated by underline, deletions by ~~strikeout~~.

Subd. 12. ASSIGNABILITY. Loans restructured under this section may not be assigned to anyone other than a direct descendant of the original borrower and the assignee must intend to engage in the direct operation and management of the farm which is subject to the mortgage. If such an assignment is contemplated, the borrower must obtain prior written approval of the eligible lender and the administration and the assignee shall thereafter be subject to the same terms and conditions and events of default as the original borrower. If assigned to some other party, the eligible agricultural lender may exercise its foreclosure remedies as provided by its contracts and by law.

Subd. 13. DEFAULT. In addition to default caused by nonpayment of the basic interest on the primary principal, it is intended that the documents establishing the restructured loans will include the following conditions, which, if violated, constitute default.

(a) The borrower must submit an annual operating budget to the eligible agricultural lender at a time specified by the lender.

(b) The borrower must submit quarterly, semiannual, and annual financial statements which must include balance sheets and income and expense records maintained pursuant to an acceptable farm record system as specified by the eligible agricultural lender.

(c) The borrower must comply with capital expenditure limitations imposed by the eligible agricultural lender.

(d) The borrower must obtain an annual commitment for an operating loan or assured sources of operating expenses sufficient to adequately operate the farm.

(e) The eligible agricultural lender may impose other reasonable requirements to reduce overall risk such as requiring purchase of crop insurance.

The lender may not waive any default specified in this subdivision without the consent of the administration.

Subd. 14. GUARANTEED PAYMENT. The administration may enter into agreements with qualified agricultural lenders, insurance companies, or others insuring or guaranteeing to the state the payment of all or a portion of qualified agricultural loans.

Subd. 15. ADVANCE RESERVATIONS. The administration may enter into agreements with eligible agricultural lenders providing for advance reservations of purchases of participation interests in restructuring loans, if the agreements provide that the administration may only purchase participation interests in restructuring loans pursuant to normal procedure. The administration may provide in an agreement for special procedures or requirements designed to meet specific conditions or requirements.

Subd. 16. DATA PRIVACY. Financial information, including but not lim-

Changes or additions are indicated by underline, deletions by ~~strikeout~~.

ited to credit reports, financial statements, and net worth calculations, received or prepared by the administration regarding any administration loan or grant and the name of each individual who is the recipient of a loan are private data on individuals, pursuant to section 13.02, subdivision 12.

Sec. 6. **[41B.05] GENERAL POWERS OF THE ADMINISTRATION.**

For the purpose of exercising the specific powers granted in section 5 and effectuating the other purposes of this article the administration has the general powers granted in this section.

- (a) It may sue and be sued.
- (b) It may have a seal and alter the seal.
- (c) It may make, and from time to time, amend and repeal rules consistent with this article.
- (d) It may acquire, hold, and dispose of personal property for its corporate purposes.
- (e) It may enter into agreements, contracts, or other transactions with any federal or state agency, any person and any domestic or foreign partnership, corporation, association, or organization, including contracts or agreements for administration and implementation of all or part of this article.
- (f) It may acquire real property, or an interest therein, in its own name, by purchase or foreclosure, where such acquisition is necessary or appropriate.
- (g) It may provide general technical services related to rural finance.
- (h) It may provide general consultative assistance services related to rural finance, and shall make available technical assistance to potential lenders and applicants to encourage applications for loans.
- (i) It may promote research and development in matters related to rural finance.
- (j) It may enter into agreements with lenders, borrowers, or the issuers of securities for the purpose of regulating the development and management of farms financed in whole or in part by the proceeds of qualified agricultural loans.
- (k) It may enter into agreements with other appropriate federal, state, or local governmental units to foster rural finance. It may give advance reservations of loan financing as part of the agreements, with the understanding that the administration will only approve the loans pursuant to normal procedures, and may adopt special procedures designed to meet problems inherent in such programs.
- (l) It may undertake and carry out studies and analyses of rural financing needs within the state and ways of meeting such needs including: data with respect to geographical distribution; farm size; the distribution of farm credit needs according to debt ratios and similar factors; the amount and quality of

Changes or additions are indicated by underline, deletions by ~~strikeout~~.



available financing and its distribution according to factors affecting rural financing needs and the meeting thereof; and may make the results of such studies and analyses available to the public and may engage in research and disseminate information on rural finance.

(m) It may survey and investigate the rural financing needs throughout the state and make recommendations to the governor and the legislature as to legislation and other measures necessary or advisable to alleviate any existing shortage in the state.

(n) It may establish cooperative relationships with such county and multicounty authorities as may be established and may develop priorities for the utilization of administration resources and assistance within a region in cooperation with county and multicounty authorities.

(o) It may contract with, use, or employ any federal, state, regional, or local public or private agency or organization, legal counsel, financial advisors, investment bankers or others, upon terms it deems necessary or desirable, to assist in the exercise of any of the powers granted in this article and to carry out the objectives of this article and may pay for the services from administration funds.

(p) It may establish cooperative relationships with counties to develop priorities for the use of administration resources and assistance within counties and to consider county plans and programs in the process of setting the priorities.

#### Sec. 7. **[41B.07] RULES.**

The administration may adopt rules for the efficient administration of this article. The rules need not be adopted in compliance with chapter 14.

#### Sec. 8. **[41B.08] REVENUE BONDS; PURPOSES, TERMS, APPROVAL.**

Subdivision 1. BONDS FOR PROGRAM. The administration from time to time may issue its negotiable bonds in a principal amount which, in the opinion of the administration, is necessary to provide sufficient funds for achieving its purposes including the making of qualified agricultural loans or the purchase of interests in those loans, the payment of interest on bonds of the administration, the establishment of reserves to secure the bonds, and the payment of all other expenditures of the administration incident to and necessary or convenient to carry out its corporate purposes and powers. Bonds of the administration may be issued as bonds or notes or in any other form authorized by law.

Subd. 2. REFUNDING OF BONDS. The administration from time to time may issue bonds for the purpose of refunding any bonds of the administration then outstanding, including the payment of any redemption premiums thereon and any interest accrued or to accrue to the redemption date next succeeding the date of delivery of those refunding bonds. The proceeds of any

Changes or additions are indicated by underline, deletions by ~~strikeout~~.

refunding bonds may, in the discretion of the administration, be applied to the purchase or payment at maturity of the bonds to be refunded, or to the redemption of such outstanding bonds on the redemption date next succeeding the date of delivery of such refunding bonds and may, pending such application, be placed in escrow to be applied to such purchase, retirement, or redemption. Any such escrowed proceeds, pending such use, may be invested and reinvested in obligations issued or guaranteed by the state or the United States or by any agency or instrumentality thereof, or in certificates of deposit or time deposits secured in a manner determined by the administration, maturing at a time or times appropriate to assure the prompt payment of the principal of and interest and redemption premiums, if any, on the bonds to be refunded. The income earned or realized on any such investment may also be applied to the payment of the bonds to be refunded. After the terms of the escrow have been fully satisfied, any balance of such proceeds and any investment income may be returned to the administration for use by it in any lawful manner. All refunding bonds issued under the provisions of this subdivision must be issued and secured in the manner provided by resolution of the administration.

Subd. 3. KIND OF BONDS. All bonds issued under this section must be negotiable investment securities within the meaning and for all purposes of the uniform commercial code, subject only to any provisions of the bonds and notes for registration. All bonds so issued may be either general obligations of the administration, secured by its full faith and credit, and payable out of any money, assets, or revenues of the administration, subject to the provisions of resolutions or indentures pledging and appropriating particular money, assets, or revenues to particular bonds, or limited obligations of the administration not secured by its full faith and credit, and payable solely from specified sources or assets.

Subd. 4. REQUIRED RATING. No bonds may be issued unless a rating of "A" or better has been awarded to the bonds by a national bond rating agency.

**Sec. 9. [41B.09] REVENUE BONDS; RESOLUTIONS AUTHORIZING, ADDITIONAL TERMS, SALE.**

The bonds of the administration must be authorized by a resolution or resolutions adopted by the administration, bear such date or dates, mature at such time or times, bear interest at such rate or rates, be in such denominations, be in such form, carry such registration privileges, be executed in such manner, be payable in lawful money of the United States, at such place or places within or without the state, and be subject to such terms of redemption or purchase prior to maturity as the resolutions or certificates may provide. If, for any reason, whether existing at the date of issue of any bonds or at the date of making or purchasing any loan or securities from the proceeds or after that date, the interest on any bonds is or becomes subject to federal income taxation, this shall not impair or affect the validity or the provisions made for the security of the bonds. The administration may make covenants and take or cause to be taken actions which are in its judgment necessary or desirable and possible to

Changes or additions are indicated by underline, deletions by ~~strikeout~~.

comply with conditions established by federal law or regulations for the exemption of interest on its obligations. The administration may refrain from compliance with those conditions if in its judgment this would serve the purposes and policies set forth in this article with respect to any particular issue of bonds, unless this would violate covenants made by the administration. The bonds of the administration may be sold at public or private sale at a price or prices determined by the administration. The underwriting discount, spread, or commission paid or allowed to the underwriters of the bonds, however, must be an amount not in excess of the amount determined by the administration to be reasonable in the light of the risk assumed and the expenses of issuance, if any, required to be paid by the underwriters.

**Sec. 10. [41B.10] REVENUE BONDS; OPTIONAL RESOLUTION AND CONTRACT PROVISIONS.**

Any resolution authorizing any bonds or any issue of bonds may contain provisions, which must be a part of the contract with the holders of the bonds, as to the matters referred to in this section.

(a) It may pledge or create a lien on all or any part of the money or property of the administration and any money held in trust or otherwise by others to secure the payment of the bonds or of any issue of bonds, subject to any agreements with bondholders which exist.

(b) It may provide for the custody, collection, securing, investment, and payment of any money of the administration.

(c) It may set aside reserves or sinking funds and provide for their regulation and disposition and may create other special funds into which any money of the administration may be deposited.

(d) It may limit the loans and securities to which the proceeds of sale of bonds may be applied and may pledge repayments thereon to secure the payment of the notes or bonds or of any issue of notes or bonds.

(e) It may limit the issuance of additional bonds, the terms upon which additional bonds may be issued and secured, and the refunding of outstanding or other bonds.

(f) It may prescribe the procedure, if any, by which the terms of any contract with bondholders may be amended or abrogated, the amount of bonds the holders of which must consent to the amendment or abrogation, and the manner in which that consent may be given.

(g) It may vest in a trustee or trustees property, rights, powers, and duties in trust determined by the administration, which may include any or all of the rights, powers, and duties of the bondholders, or may limit the rights, powers, and duties of the trustee.

(h) It may define the acts or omissions to act which constitute a default in

Changes or additions are indicated by underline, deletions by ~~strikeout~~.

the obligations and duties of the administration and may provide for the rights and remedies of the holders of bonds in the event of a default, and provide any other matters of like or different character, consistent with the general laws of the state and other provisions of this article, which in any way affect the security or protection of the bonds and the rights of the bondholders.

**Sec. 11. [41B.11] PLEDGES.**

Any pledge made by the administration is valid and binding from the time the pledge is made. The money or property pledged and later received by the administration is immediately subject to the lien of the pledge without any physical delivery of the property or money or further act, and the lien of any pledge is valid and binding as against all parties having claims of any kind in tort, contract, or otherwise against the administration, whether or not those parties have notice of the lien or pledge. Neither the resolution nor any other instrument by which a pledge is created need be recorded.

**Sec. 12. [41B.12] REVENUE BONDS; NONLIABILITY OF INDIVIDUALS.**

Neither the members of the administration nor any person executing the bonds is liable personally on the bonds or subject to any personal liability or accountability by reason of their issuance.

**Sec. 13. [41B.13] REVENUE BONDS; PURCHASE AND CANCELLATION BY ADMINISTRATION.**

The administration, subject to agreements with bondholders which may then exist, has power out of any funds available for the purpose to purchase bonds of the administration at a price not exceeding (a) if the bonds are then redeemable, the redemption price then applicable plus accrued interest to the next interest payment date thereon, or (b) if the bonds are not redeemable, the redemption price applicable on the first date after the purchase upon which the bonds become subject to redemption plus accrued interest to that date.

**Sec. 14. [41B.14] REVENUE BONDS; NONLIABILITY OF STATE.**

The state of Minnesota is not liable on bonds of the administration issued under section 8 and those bonds are not a debt of the state. The bonds must contain on their face a statement to that effect.

**Sec. 15. [41B.15] STATE PLEDGE AGAINST IMPAIRMENT OF CONTRACTS.**

The state pledges and agrees with the holders of any bonds issued under section 8, that the state will not limit or alter the rights vested in the administration to fulfill the terms of any agreements made with the bondholders, or in any way impair the rights and remedies of the holders until the bonds, together with interest on them, with interest on any unpaid installments of interest, and all costs and expenses in connection with any action or proceeding by or on behalf of the bondholders, are fully met and discharged. The administration may

Changes or additions are indicated by underline, deletions by ~~strikeout~~.

include this pledge and agreement of the state in any agreement with the holders of bonds issued under section 8.

Sec. 16. **[41B.16] SECURITY ACCOUNT.**

Upon determining that a default may occur in the payment of principal or interest on any issue of bonds issued under section 8, or if any debt service reserve fund established in connection with those bonds is drawn upon because the revenues of the program are not then sufficient to make any payment of the principal or interest on them, the administration shall certify those facts to the commissioner of finance and shall request that the commissioner of finance transfer from the security account established under section 19, subdivision 5, to accounts or funds designated by the administration an amount required to cure the deficiency.

Sec. 17. **[41B.17] POWERS AND DUTIES OF TRUSTEE.**

Subdivision 1. GENERAL. The trustee designated in any indenture or resolution securing an issue of bonds may, and upon written request of the holders of 25 percent in principal amount of the notes or bonds then outstanding shall, in the trustee's own name, subject to the provisions of the indenture or resolution:

(1) enforce all rights of the bondholders, including the right to require the administration to collect fees, charges, interest, and payments on loans or interests therein held by the administration and eligible securities purchased by it adequate to carry out any agreement as to, or pledge of, those fees, charges, and payments, and to require the administration to carry out any other agreements with the holders of the notes or bonds and to perform its duties under this article;

(2) bring suit upon the bonds;

(3) require the administration to account as if it were the trustee of any express trust for the holders of the bonds;

(4) enjoin any acts or things which may be unlawful or in violation of the rights of holders of the bonds; or

(5) declare all the bonds due and payable, and if all defaults are made good, then, with the consent of the holders of 25 percent of the principal amount of the bonds then outstanding, the trustee may annul the declaration and consequences.

Subd. 2. ADDITIONAL POWERS. In addition to the powers in subdivision 1, the trustee has all of the powers necessary or appropriate for the exercise of any functions specifically set forth in this section or incident to the general representation of bondholders or noteholders in the enforcement and protection of their rights.

Changes or additions are indicated by underline, deletions by ~~strikeout~~.

Subd. 3. VENUE; NOTICE. The venue of any action or proceedings brought by a trustee under this article, is in Ramsey county. Before declaring the principal of bonds due and payable, the trustee shall first give 30 days notice in writing to the governor, the administration, and the state treasurer.

**Sec. 18. [41B.18] REVENUE BOND FUND; REPORTS.**

Subdivision 1. AUTHORITY. The administration may create and establish a special fund or funds for the security of one or more or all series of its bonds, which funds are known as debt service reserve funds. The administration may pay into each debt service reserve fund:

- (1) any money appropriated by the state only for the purposes of that fund;
- (2) any money transferred from the security fund for the purposes of that fund;
- (3) any proceeds of sale of bonds to the extent provided in the resolution or indenture authorizing their issuance;
- (4) any funds directed to be transferred by the administration to that debt service reserve fund; and
- (5) any other money made available to the administration only for the purpose of that fund from any other source.

Subd. 2. USE OF MONEY. The money held in or credited to each debt service reserve fund, except as provided in this section, must be used solely for the payment of the principal of bonds of the administration as the bonds mature, the purchase of the bonds, the payment of interest on the bonds, or the payment of any premium required when the bonds or notes are redeemed before maturity; provided, that money in a debt service reserve fund may not be withdrawn at any time in an amount which would reduce the amount of the fund to less than the amount which the administration determines to be reasonably necessary for the purposes of the fund, except for the purpose of paying principal or interest due on bonds secured by the fund, for the payment of which other money of the administration is not available.

Subd. 3. LIMITATION. If the administration creates a debt service reserve fund for the security of any series of bonds, it shall not issue any additional bonds which are similarly secured if the amount of any of the debt service reserve funds at the time of issuance does not equal or exceed the minimum amount, if any, required by the resolution creating that fund, unless the administration deposits in each fund at the time of issuance, from the proceeds of the bonds or otherwise, an amount which, together with the amount then in the fund, will not be less than the minimum amount required.

Subd. 4. EXCESS FUNDS. To the extent consistent with the resolutions and indentures securing outstanding bonds, the administration may, at the close of any fiscal year, transfer to any other fund or account from any debt service

Changes or additions are indicated by underline, deletions by ~~strikeout~~.

reserve fund, any excess in that fund over the amount deemed by the administration to be reasonably necessary for the purpose of the fund. Any excess must be transferred first to the security fund to the extent of any prior withdrawals from the security fund which have not previously been restored to the security fund.

Subd. 5. CONSTRUCTION. Nothing in this section may be construed to limit the right of the administration to create and establish by resolution or indenture other funds or security in addition to debt service reserve funds which are necessary or desirable in connection with any bonds or programs.

Subd. 6. REPORT. The administration shall submit a biennial report of its activities, projected activities, receipts, and expenditures for the next biennium, to the governor and the legislature on or before January 15 in each odd-numbered year. The report must include the distribution of money under each administration program by county. In addition, the report must include the cost to the administration of the issuance of its bonds for each issue in the biennium.

Subd. 7. AUDIT. The books and records of the administration are subject to audit by the legislative auditor in the manner prescribed for other state agencies. The administration may also employ and contract in its resolutions and indentures for the employment of public accountants for the audit of books and records pertaining to any fund.

#### Sec. 19. [41B.19] GENERAL OBLIGATION BONDS.

Subdivision 1. PROCEDURE. For the purpose of developing the state's agricultural resources by providing for the extension of credit on real estate security and to assure the timely payment of the principal of and interest on the bonds or other obligations issued by the rural finance administration, and upon request of the rural finance administration under section 8, the commissioner of finance may at the direction of the administration, issue general obligation bonds of the state in a principal amount not exceeding \$50,000,000. The bonds must be secured as provided in the Minnesota Constitution, article XI, section 7, and, except as provided in this section, must be issued and secured as provided in Minnesota Statutes, section 16A.641. The proceeds of the bonds, except any premium and accrued interest, must be deposited in the security account established by this section and used solely for the purposes specified in this section. The premium and accrued interest, if any, must be deposited in the rural renewal bond account in the state bond fund.

Subd. 2. TERMS OF BONDS. Notwithstanding any provision of section 16A.641 to the contrary, the commissioner of finance may fix the terms of the bonds as provided in sections 475.54, subdivision 5a, and 475.56, paragraph (b), and may enter into, on behalf of the state all agreements deemed necessary for this purpose, including those authorized to be entered into by municipalities by that section. The proceeds of the general obligation bonds may be used to reimburse the commissioner of finance for the costs of issuance of the bonds and the costs of development of programs authorized in this article.

Changes or additions are indicated by underline, deletions by ~~strikeout~~.

Subd. 3. SALE OF BONDS. If determined by the commissioner of finance to be necessary in order to reduce costs of issuance, to secure a favorable prevailing interest rate, or to receive the bond proceeds by a specified date, or if the terms of the bonds are fixed as provided in sections 475.54, subdivision 5a, and 475.56, paragraph (b), the bonds may be sold by negotiation and without solicitation of sealed bids.

Subd. 4. BOND FUND ACCOUNT. The commissioner of finance shall maintain in the state bond fund a separate bookkeeping account designated as the rural renewal bond account, to record receipts and disbursements of money transferred to the account to pay bonds issued under this section and to record income from the investment of the money in the account. The income must be credited to the account in each fiscal year in an amount equal to the approximate average return that year on all funds invested by the commissioner of finance, as determined by the commissioner of finance, times the average balance in the account that year.

Subd. 5. RURAL FINANCE ADMINISTRATION SECURITY ACCOUNT. The commissioner of finance shall maintain a separate state building fund account designated as the rural finance administration security account, into which must be deposited the proceeds of the rural renewal general obligation bonds issued as provided in this section. The commissioner of finance shall maintain a separate bookkeeping account to record receipts and disbursements of money transferred to or from the security account and to record income from the investment of money in the account. Upon the written request of the administration, the commissioner of finance shall transfer from the security account to an account or accounts the administration shall designate, a sum of money sufficient in amount, if available, when added to the balances then on hand in the designated accounts, to pay bonds issued by the administration under this article and the interest on them due and to become due on the next succeeding date for the payment of the principal of and interest on the bonds of the administration or to restore to any debt service reserve fund established in connection with the bonds any amount withdrawn from the debt service reserve account to pay the bonds. The commissioner of finance shall further transfer from the security account on or before the date on which any installment of the principal of and interest on bonds authorized by this section is due, a sum sufficient in amount, when added to the balance then on hand in the rural renewal bond account, to pay all bonds issued under this section and the interest on them due and to become due on the next succeeding date for payment of the bonds.

Subd. 6. INVESTMENT OF SECURITY ACCOUNT. Money from time to time on deposit in the security account must be invested by the state board of investment at the request of the administration in any investment authorized by this subdivision. Money on deposit in the security account may be invested in (1) certificates of deposit insured by the Federal Deposit Insurance Corporation or Federal Savings and Loan Insurance Corporation; (2) certificates of deposit issued by eligible agricultural lenders, whether or not fully insured or secured; (3) deposits secured by obligations of the United States or of the state of a market value equal at all times to the amount of the deposit and all banks and

Changes or additions are indicated by underline, deletions by ~~strikeout~~.



trust companies are authorized to give security for those deposits; (4) in qualified agricultural loans or in participation interests in qualified agricultural loans; or (5) qualified restructured loans. If and to the extent money has been transferred from the security account to provide for the timely payment of the principal of and interest on bonds issued by the administration, or to transfer money to a debt service reserve fund established in connection with the bonds, the administration shall transfer to the security account on or before December 1 of each succeeding year an amount equal to that previously transferred from the security account, provided that the administration's obligation to transfer money to the security account is limited to money then on hand in funds or accounts of the administration in excess of those appropriated to other purposes or required to provide for the payment of the principal of and interest on bonds issued by the administration and to pay the costs of issuing, carrying, administering, and securing the bonds of the administration and of administering and implementing the programs of the administration financed by the bonds.

**Subd. 7. TRANSFERS, APPROPRIATION.** In addition to the money required to be transferred to the rural renewal bond account under subdivision 5, and in order to reduce the amount of taxes otherwise required by the Minnesota Constitution to be levied for the state bond fund, the commissioner of finance shall transfer from the general fund to the rural renewal bond account, on December 1 in each year, a sum of money sufficient in amount, when added to the balance then on hand in that account, to pay all bonds issued under this section and the interest on them due and to become due to and including July 1 in the second ensuing year. All money to be so credited and all income from its investment is annually appropriated for the payment of the bonds and interest on them, and shall be available in the rural renewal bond account before the levy of the tax in any year required by the Minnesota Constitution, article XI, section 7. The legislature may also appropriate to the rural renewal bond account any other money in the state treasury not otherwise appropriated, for the security of bonds issued under this section in the event that sufficient money is not available in the account from the appropriation in this section, before the levy of the tax in any year. The commissioner of finance shall make the appropriate entries in the accounts of the respective funds.

**Subd. 8. CONSTITUTIONAL LEVY.** On or before December 1 in each year the state auditor shall levy on all taxable property within the state whatever tax may be necessary to produce an amount sufficient, with all money then in the rural renewal bond account, to pay the entire amount of principal and interest due on or before July 1 in the second year thereafter on bonds issued under this section. This tax must be levied upon all real property used for a homestead, as well as other taxable property, notwithstanding section 273.13, subdivision 22. The tax must not be limited in rate or amount until all the bonds and interest on them are fully paid. The proceeds of this tax are appropriated and must be credited to the state bond fund, and the principal and interest on the bonds are payable from all the proceeds. As much of the proceeds as is necessary is appropriated for the payments. If at any time there is insufficient money from the proceeds of the taxes to pay the principal and interest when due on the bonds, the principal and interest must be paid out of

Changes or additions are indicated by underline, deletions by ~~strikeout~~.

the general fund in the state treasury, and the amount necessary for the payment is hereby appropriated.

Subd. 9. COMPLIANCE WITH FEDERAL LAW. The commissioner of finance may covenant and agree with the holders of the bonds issued under this section that the state will comply, insofar as possible, with the provisions of the United States Internal Revenue Code now or hereafter enacted that are applicable to the bonds and that establish conditions under which the interest to be paid on the bonds will not be includable in gross income for federal tax purposes.

Subd. 10. TAXABILITY OF INTEREST. Interest on the bonds authorized by this section may be issued without regard to whether the interest to be paid on them is includable in gross income for federal tax purposes.

**Sec. 20. [41B.20] EXEMPTION FROM TAXES.**

The property of the administration and its income and operation shall be exempt from all taxation by the state or any of its political subdivisions.

**Sec. 21. [41B.21] CERTAIN ACTIONS.**

Any action brought by any person with respect to the rights or powers of the administration or calling into question the validity or enforceability of bonds or obligations authorized by this article is a remedial case of which the supreme court has original jurisdiction pursuant to article VI, section 2 of the constitution. The action may be commenced solely by service upon the state auditor, the commissioner of agriculture, or the executive director of the administration and by filing of the summons and complaint with the supreme court. Upon filing of an answer to the complaint, the court shall order a hearing which must be held not later than 30 days from the date of filing of the answer. At the hearing, the court shall establish an expedited schedule for the action.

**Sec. 22. [41B.22] CONSTRUCTION.**

This article is necessary for the welfare of the state of Minnesota and its inhabitants; therefore, it shall be liberally construed to effect its purpose.

**Sec. 23. [41B.23] SEVERABILITY; ACTIONS.**

Each of the provisions of this article, and each application thereof to particular circumstances, is severable. If any provision or application is found to be unconstitutional and void, it is the intention that the remaining provisions and applications shall be valid and enforceable to the full extent possible under section 645.20. The supreme court shall have original jurisdiction, pursuant to article VI, section 2 of the constitution, in all cases seeking a remedy based upon an issue raised as to the validity of any such provision or application.

**Sec. 24. EFFECTIVE DATE.**

Changes or additions are indicated by underline, deletions by ~~strikeout~~.

This article is effective the day after final enactment.

---

## ARTICLE 7

### PROTECTION OF CONSERVATION PRACTICES

Section 1. Minnesota Statutes 1985 Supplement, section 40.26, is amended to read:

#### 40.26 ~~APPLICATION FOR COST-SHARING FUNDS.~~

Subdivision 1. COST-SHARE REQUIRED. ~~(a)~~ Except for a development activity, a land occupier may not be required to establish soil conservation practices unless state cost-sharing funds have been specifically approved for that land and have been made available to the land occupier under sections 40.23 and 40.242, equal to at least 75 percent of the cost of the permanent conservation practices on a voluntary basis, or a 50 percent cost share if an application for cost share is not made within 90 days after the board approves a mediated written agreement or within 90 days after the court orders implementation of a plan and time schedule prepared by the landowner or the court. For mediated settlements, a court order that implements the landowner's alternatives or the court's alternatives must state the time schedule for application for 50 percent cost share. If the court orders implementation of the district's plan and time schedule, a landowner is only eligible for 50 percent cost share.

Subd. 2. REVIEW OF REQUIREMENTS. ~~(b)~~ The state soil and water conservation board shall review these requirements at least once each year, and may authorize a district to provide a higher percentage of cost sharing than is required by this section. To aid in this determination, the state board may consider the location of the affected area in relation to the priority areas as established in the soil and water conservation district annual and long-range plans.

Subd. 3. RECORDING. The permanent conservation practices must be recorded with the county recorder on the tracts where they occur if the cost-sharing funds are issued to the landowner.

Sec. 2. Minnesota Statutes 1984, section 500.24, is amended by adding a subdivision to read:

Subd. 3a. LEASE AGREEMENT; CONSERVATION PRACTICE PROTECTION CLAUSE. A corporation, other than a family farm corporation or an authorized farm corporation, when leasing farm land to a family farm unit, a

Changes or additions are indicated by underline, deletions by ~~strikeout~~.

family farm corporation, or an authorized farm corporation under provisions of section 500.24, subdivision 3, clause (i), must include within the lease agreement a provision prohibiting intentional damage or destruction to a conservation practice on the agricultural land.

Sec. 3. Minnesota Statutes 1984, section 500.24, is amended by adding a subdivision to read:

Subd. 3b. PROTECTION OF CONSERVATION PRACTICES. If a corporation, other than a family farm corporation or an authorized farm corporation, during the period of time it holds agricultural land under section 500.24, subdivision 3, clause (i), intentionally destroys a conservation practice as defined in section 40.19, subdivision 5, to which the state has made a financial contribution, the corporation must pay the commissioner of agriculture, for deposit in the general fund, an amount equal to the state's total contributions to that conservation practice plus interest from the time of investment in the conservation practice. Interest must be calculated at an annual percentage rate of 12 percent.

Sec. 4. EFFECTIVE DATE.

This article is effective April 1, 1986.

---

## ARTICLE 8

### FAMILY FARM SECURITY INTEREST EXCLUSION

#### Section 1. FAMILY FARM SECURITY INTEREST EXCLUSIONS.

(a) The commissioner shall annually pay to qualified sellers of property, financed by a family farm security loan, an amount approximately equal to the additional state income tax paid as a result of the inclusion in gross income of the interest and payment adjustment earned on a seller-sponsored family farm security loan.

(b) The payment amount must be determined as follows:

(1) In order to qualify for a payment, the seller must apply to the commissioner. The application must include a copy of the seller's 1985 state income tax return and any other information that the commissioner requests to verify that the applicant is a qualified seller. The commissioner shall recompute the seller's total state income tax liability that would be due if the interest and payment adjustment amounts were not includable in gross income for state income tax

Changes or additions are indicated by underline, deletions by ~~strikeout~~.

purposes. The commissioner may require the seller to compute these amounts as part of the application. For calendar year 1986 the amount of the payment equals the reduction in state income tax liability that would occur if the interest and payment adjustment were not included in gross income for state tax purposes.

(2) For calendar years beginning with 1987, the additional payment amount must be determined as follows:

(i) The calendar year 1986 payment must be divided by the amount of interest and payment adjustment received during calendar year 1986.

(ii) The resulting quotient must be multiplied by the interest and payment adjustment received for the calendar year.

(iii) The product determined under clause (ii) is the payment for the calendar year.

(c) If for a tax year after 1986 the qualified seller's taxable income has changed substantially, the commissioner may provide by rule that upon reapplication a later tax year will be used to compute the quotient under clause (b)(2)(i).

(d) The commissioner may make the payments under this subdivision in the same manner provided for the payment adjustment under subdivision 2.

(e) For purposes of this subdivision, the following terms have the meanings given:

(1) "Gross income" means gross income as defined for purposes of chapter 290.

(2) "Qualified seller" means an individual who sold farm land under a seller-sponsored loan prior to July 1, 1985, and who is a resident of Minnesota during the calendar year and subject to the payment of Minnesota income taxes.

## Sec. 2. EFFECTIVE DATE.

This article is effective the day following final enactment.

Changes or additions are indicated by underline, deletions by ~~strikeout~~.

## ARTICLE 9

## VETERINARIAN LIEN

Section 1. Minnesota Statutes 1984, section 514.92, is amended to read:

**514.92 VETERINARIAN'S LIEN; STATEMENT OF CLAIM; FORECLOSURE.**

Subdivision 1. **ATTACHMENT.** ~~Every duly~~ A licensed and registered veterinarian shall have a lien for all who performs emergency veterinary services ~~over that cost more than \$25 rendered upon any animal or for animals at the request of the owner or lawful possessor of same, including but not limited to a person in possession of the animals has a lien on the animals for the value of the services. Veterinary services include emergency~~ surgical procedures, administering vaccines, antisera, ~~virus, and~~ antibiotics, ~~or and~~ other veterinary treatment; from the date of filing the lien. Within 180 days from the day on which the treatment was completed, the claimant of the lien shall file in the appropriate filing office under the Uniform Commercial Code, Minnesota Statutes, section 336.9-401, a verified lien statement setting forth the kind and number of animals treated, the reasonable value for the treatment or services rendered, or the price contracted between the parties, the name of the person for whom the treatment was done, the reasonable identification of the animal or group of animals treated, dates when the treatment was commenced and was completed, the name of the owner, or reputed owner, of the animals, the name and address of the veterinarian claiming the lien. Within one year after the date the last service was rendered, but not thereafter, the lien claimant may foreclose his lien in the manner prescribed for security interests under article 9 of the Uniform Commercial Code medicines and treatments. Veterinary services also include services performed primarily to protect human health, prevent the spread of animal diseases, or to preserve the immediate health of an animal.

**Subd. 1a. FILING AND PERFECTING LIEN.** The veterinarian must file a lien statement in the appropriate filing office for a financing statement covering the animals to be filed under section 336.9-401 by 180 days after the veterinary services are performed. The lien is perfected by properly filing the lien statement.

**Subd. 2. LIEN STATEMENT.** Minnesota Statutes, Section 514.74 shall apply to all liens created under subdivision 1. (a) A lien statement must be verified and state:

- (1) the name of the owner, or reputed owner, of the animals;
- (2) the name of the person for whom the veterinary services were performed;
- (3) the kind, number, and reasonable identification of animals treated;

Changes or additions are indicated by underline, deletions by ~~strikeout~~.

(4) the dates when the veterinary services were begun and finished;

(5) the fraction of veterinary services performed which were primarily for the purpose of protecting human health, preventing the spread of animal diseases, or preserving the health of the animal or animals treated;

(6) the reasonable value of the veterinary services rendered, or the price contracted between the parties; and

(7) the name and address of the veterinarian claiming the lien.

(b) The provisions of section 514.74 relating to inaccuracies in lien statements apply to lien statements under this subdivision.

Subd. 3. ENFORCEMENT OF LIEN. An action to enforce a perfected lien under this section must be started by one year after the date the last veterinary service was performed. A perfected lien may be enforced in the manner prescribed for security interests under section 336.9-501 to 336.9-508.

Subd. 4. PRIORITY OF LIEN. (a) A perfected veterinarian's lien under this section has priority over other liens and security interests on the same animals to the extent the veterinary services were performed primarily for the purpose of protecting human health, preventing the spread of animal diseases, or preserving the health of the animal or animals treated.

(b) A veterinarian's lien has priority over a security interest perfected before the veterinarian's lien only if the security interest is perfected after the effective date of this article.

(c) The priority among veterinarian's liens filed under this section is according to the first lien filed.

Subd. 5. TERMINATION. (a) A veterinarian's lien under this section terminates:

(1) 180 days after the last veterinarian's services was performed if a proper lien statement is not filed; or

(2) one year after the lien is filed if an action to enforce the lien has not been started.

(b) A filing officer may remove and destroy terminated lien statements in the same manner as provided for a financing statement under section 336.9-410.

## **Sec. 2. EFFECTIVE DATE.**

This article is effective the day following final enactment.

Changes or additions are indicated by underline, deletions by ~~strikeout~~.

## ARTICLE 10

## NATIVE AMERICAN MEMORIAL

## Section 1. NATIVE AMERICAN MEMORIAL PLAN.

The Minnesota historical society shall develop a plan for selecting a design for a capitol mall memorial to Native Americans. The selection may involve a design competition with a prize for the winning design. Funding may involve state funds or gifts from private or public sources.

Sec. 2. Minnesota Statutes 1984, section 138.585, is amended by adding a subdivision to read:

Subd. 31. Native American monument, in Ramsey county, to memorialize Native Americans, located in a place of honor in the capitol complex in St. Paul.

## ARTICLE 11

## AGRICULTURAL DATA TASK FORCE

## Section 1. [138.95] REACTIVATION OF THE AGRICULTURAL DATA TASK FORCE.

The agricultural data collection task force created by Laws 1985, chapter 19, is reactivated.

Sec. 2. Laws 1985, chapter 19, section 2, subdivision 2, is amended to read:

Subd. 2. DUTIES. The duties of the data collection task force are to:

(1) ~~develop a~~ continue the uniform procedure for collecting data on the financial status of agriculture in Minnesota;

(2) ~~oversee the implementation of the farm crisis intervention act; and~~

(3) ~~report the results of the program to the legislature no later than December 31, 1985~~ 1986.

Sec. 3. Laws 1985, chapter 19, section 2, is amended by adding a subdivision to read:

Subd. 3a. INFORMATION HELD BY TASK FORCE "NOT PUBLIC DATA" UNTIL RELEASED. All information gathered by or for the task force or processed by staff and provided to the task force is "not public data" as

Changes or additions are indicated by underline, deletions by ~~strikeout~~.



defined in Minnesota Statutes, section 13.02, subdivision 8a, until it is released by a majority vote of the members of the task force.

Sec. 4. Laws 1985, chapter 19, section 6, subdivision 6 is amended to read:

Subd. 6. **EXPIRATION.** The data collection task force ~~shall cease to exist within ten days of submitting its report~~ expires January 15, 1987, or 15 days after reporting to the legislature whichever date comes later, but in no circumstance later than March 1, 1987.

Sec. 5. **EFFECTIVE DATE.**

This act is effective the day following final enactment.

---

## ARTICLE 12

### CROP RIGHTS ON FORECLOSED LAND

Section 1. Minnesota Statutes 1984, section 542.06, is amended to read:

542.06 **REPLEVIN.**

Actions to recover the possession of personal property wrongfully taken shall be tried in the county in which the taking occurred; or, ~~at claimant's election, in the county in which he resides; in other cases in the county in which the property is situated.~~

Sec. 2. **[557.10] OWNERSHIP OF CROPS.**

Planted and growing crops are personal property of the person or entity that has the property right to plant the crops.

Sec. 3. **[557.11] DEFINITIONS.**

Subdivision 1. APPLICABILITY. The definitions in this section apply to this section and section 4.

Subd. 2. PLANTING CROP OWNER. "Planting crop owner" means the person or entity that has a property right to plant crops, including a leasehold interest, the interest of a contract for deed vendee, and the redemption interest of a foreclosed mortgagor.

Subd. 3. CROP VALUE. "Crop value" means the value of the crop and crop inputs, including the real property fair market rental value, up to the time the planting crop owner's property right to harvest the crop is terminated.

Changes or additions are indicated by underline, deletions by ~~strikeout~~.

Sec. 4. [557.12] **HARVESTING CROPS AFTER TERMINATION OF PROPERTY INTERESTS.**

**Subdivision 1. TERMINATION OF PROPERTY INTEREST AFTER CROPS ARE PLANTED.** If the planting crop owner's property right to harvest crops is involuntarily terminated before the crops are harvested, the person or entity with the property right to harvest the crops is liable to the planting crop owner for the crop value.

**Subd. 2. PLANTING CROP OWNER'S LIEN.** A planting crop owner has a lien for the crop value that attaches to the crop and crop products, and if the lien is not satisfied under subdivision 3, a planting crop owner has a lien for the crop value that attaches to the real property where the crop was planted.

**Subd. 3. SATISFACTION OF CROP OWNER'S LIEN.** (a) A person with the right to harvest a crop that is subject to a planting crop owner's lien may satisfy the lien by:

(1) compensating the planting crop owner for the crop value; or

(2) allowing the planting crop owner to enter the property to grow and harvest the crops, and charging the planting crop owner the fair market rental value of the property where the crop was grown for the period when the planting crop owner's right to harvest the crops was terminated until the crops are harvested.

(b) If the person with the right to harvest the crop does not notify the planting crop owner within 30 days after termination of the planting crop owner's right to harvest the crops that the lien will be satisfied under paragraph (a), clause (2), the person with the right to harvest the crop must satisfy the lien under clause (1) unless otherwise agreed by the planting crop owner.

**Subd. 4. LIEN ON CROPS HARVESTED BY PLANTING CROP OWNER; PRIORITY.** If the person with the right to harvest the crop satisfies the planting crop owner's lien by allowing the planting crop owner to harvest the crops, the person with the right to harvest the crops has a lien for the fair market rental value of the property where the crop was grown that attaches to the crops and crop products. The perfected lien has priority over all other liens and security interests in the crop and crop products.

**Subd. 5. FILING AND ENFORCEMENT OF LIENS.** (a) A planting crop owner's lien under subdivision 2 and a lien for the fair market rental value where the crop was grown under subdivision 4 are perfected against the crop and crop products by attaching and filing a financing statement covering the crop and crop products as provided under sections 336.9-401 to 336.9-410 by 90 days after the planting crop owner's right to harvest the crop is terminated. The financing statement must include a statement indicating whether it is a planting crop owner's lien or a lien for a crop harvested by a planting crop owner. A perfected lien may be enforced in the same manner as a security interest under sections 336.9-501 to 336.9-508.

Changes or additions are indicated by underline, deletions by ~~strikeout~~.

(b) A lien against the real property under subdivision 2 must be recorded and foreclosed in the same manner as a mechanics' lien under sections 514.08 to 514.15 as if the planting crop owner was a contractor. For purposes of this paragraph, the lien statement must be filed and served under section 514.08, subdivision 1, by 120 days after the crop was harvested, or if the crop was not harvested, by 12 months after the crop was planted.

Sec. 5. **REPEALER.**

Minnesota Statutes 1984, sections 561.11; 561.12; 561.13; 561.14; 561.15; and 561.16, are repealed.

Sec. 6. **EFFECTIVE DATE.**

This article is effective the day after final enactment.

---

**ARTICLE 13**

**TRANSPORTATION**

Section 1. Minnesota Statutes 1985 Supplement, section 168.013, subdivision 1e, is amended to read:

Subd. 1e. **TRUCKS; TRACTORS; COMBINATIONS; EXCEPTIONS.** On trucks and tractors except those in this chapter defined as farm trucks, on truck-tractor and semitrailer combinations except those defined as farm combinations, and on commercial zone vehicles, the tax based on total gross weight shall be graduated according to the Minnesota base rate schedule prescribed in this subdivision, but in no event less than \$120.

Minnesota Base Rate Schedule

Scheduled taxes include five percent surtax provided for in subdivision 14

TOTAL GROSS WEIGHT		TAX
IN POUNDS		
A	0 - 1,500	\$ 15
B	1,501 - 3,000	20
C	3,001 - 4,500	25
D	4,501 - 6,000	35
E	6,001 - 9,000	45
F	9,001 - 12,000	70
G	12,001 - 15,000	105

Changes or additions are indicated by underline, deletions by ~~strikeout~~.

H	15,001 - 18,000	145
I	18,001 - 21,000	190
J	21,001 - 26,000	270
K	26,001 - 33,000	360
L	33,001 - 39,000	475
M	39,001 - 45,000	595
N	45,001 - 51,000	715
Q	51,001 - 57,000	865
P	57,001 - 63,000	1015
Q	63,001 - 69,000	1185
R	69,001 - 73,280	1325
S	73,281 - 78,000	<del>1525</del> <u>1595</u>
T	78,001 - 81,000	<del>1625</del> <u>1760</u>

For each vehicle with a gross weight in excess of 81,000 pounds an additional tax of \$50 is imposed for each ton or fraction thereof in excess of 81,000 pounds, subject to subdivision 12.

Truck-tractors except those herein defined as farm and commercial zone vehicles shall be taxed in accord with the foregoing gross weight tax schedule on the basis of the combined gross weight of the truck-tractor and any semitrailer or semitrailers which the applicant proposes to combine with the truck-tractor.

Commercial zone trucks include only trucks, truck-tractors, and semitrailer combinations which are:

(1) used by an authorized local cartage carrier operating under a permit issued under section 221.296 and whose gross transportation revenue consists of at least 60 percent obtained solely from local cartage carriage, and are operated solely within an area composed of two contiguous cities of the first class and municipalities contiguous thereto as defined by section 221.011, subdivision 17; or,

(2) operated by an interstate carrier registered under section 221.60, or by an authorized local cartage carrier or other carrier receiving operating authority under chapter 221, and operated solely within a zone exempt from regulation by the interstate commerce commission pursuant to United States Code, title 49, section 10526(b).

The license plates issued for commercial zone vehicles shall be plainly marked. A person operating a commercial zone vehicle outside the zone or area in which its operation is authorized is guilty of a misdemeanor and, in addition to the penalty therefor, shall have the registration of the vehicle as a commercial zone vehicle revoked by the registrar and shall be required to reregister the vehicle at 100 percent of the full annual tax prescribed in the Minnesota base rate schedule, and no part of this tax shall be refunded during the balance of the registration year.

On commercial zone trucks the tax shall be based on the total gross weight

Changes or additions are indicated by underline, deletions by ~~strikeout~~.

of the vehicle and during the first eight years of vehicle life shall be 75 percent of the Minnesota base rate schedule. During the ninth and succeeding years of vehicle life the tax shall be 50 percent of the Minnesota base rate schedule, except as otherwise provided in this subdivision. On commercial zone trucks, during the ninth and succeeding years of vehicle life, the tax shall be 50 percent of the tax imposed in the Minnesota base rate schedule.

On trucks, truck-tractors and semitrailer combinations, except those defined as farm trucks and farm combinations, and except for those urban trucks and combinations and commercial zone vehicles specifically provided for in this subdivision, the tax for the first eight years of vehicle life shall be 100 percent of the tax imposed in the Minnesota base rate schedule, and during the ninth and succeeding years of vehicle life, the tax shall be 75 percent of the Minnesota base rate prescribed by this subdivision, except as otherwise provided in this subdivision.

On trucks, truck-tractors and semitrailer combinations, except those defined as farm trucks and farm combinations, and except for those commercial zone vehicles specifically provided for in this subdivision, during each of the first eight years of vehicle life the tax shall be 100 percent of the tax imposed in the Minnesota base rate schedule.

Sec. 2. Minnesota Statutes 1984, section 169.01, subdivision 7, is amended to read:

Subd. 7. **TRUCK-TRACTOR.** "Truck-tractor" means:

(a) a motor vehicle designed and used primarily for drawing other vehicles and not constructed to carry a load other than a part of the weight of the vehicle and load drawn; and

(b) a motor vehicle designed and used primarily for drawing other vehicles used exclusively for transporting motor vehicles or boats and capable of carrying motor vehicles or boats on its own structure.

Sec. 3. Minnesota Statutes 1984, section 169.80, subdivision 1, is amended to read:

Subdivision 1. **LIMITATIONS.** It is a misdemeanor for a person to drive or move, or for the owner to cause or knowingly permit to be driven or moved, on a highway a vehicle or vehicles of a size or weight exceeding the limitations stated in sections 169.80 to 169.88, or otherwise in violation of sections 169.80 to 169.88, and the maximum size and weight of vehicles as prescribed in sections 169.80 to 169.88 shall be lawful throughout this state, and local authorities shall have no power or authority to alter these limitations except as express authority may be granted in sections 169.80 to 169.88.

When all the axles of a vehicle or combination of vehicles are weighed separately the sum of the weights of the axles so weighed shall be evidence of the total gross weight of the vehicle or combination of vehicles so weighed.

Changes or additions are indicated by underline, deletions by ~~strikeout~~.

When each of the axles of any group that contains two or more consecutive axles of a vehicle or combination of vehicles have been weighed separately the sum of the weights of the axles so weighed shall be evidence of the total gross weight on the group of axles so weighed.

When, in any group of three or more consecutive axles of a vehicle or combination of vehicles any axles have been weighed separately and two or more axles consecutive to each other in the group have been weighed together, the sum of the weights of the axles weighed separately and the axles weighed together shall be evidence of the total gross weight of the group of axles so weighed.

The provisions of sections 169.80 to 169.88 governing size, weight, and load shall not apply to fire apparatus, or to implements of husbandry temporarily moved upon a highway, or to loads of loose hay or corn stalks if transported by a horse-drawn vehicle or drawn by a farm tractor, or to a vehicle operated under the terms of a special permit issued as provided by law. For purposes of sections 169.80 to 169.88, a specialized vehicle resembling a low-slung two wheel trailer having a short bed or platform shall be deemed to be an implement of husbandry when the vehicle is used exclusively to transport implements of husbandry; and the term "temporarily moved upon a highway" shall mean a movement not to exceed 50 miles.

In addition to any other special permits authorized, an annual permit may be issued authorizing movements on interstate highways and movements exceeding 50 miles on non-interstate highways of oversize vehicles and loads when the vehicles or combination of vehicles are used exclusively to transport implements of husbandry. Annual permits are issued in accordance with the applicable provisions of section 169.86, except that the transporting vehicle or combination of vehicles may be moved at the discretion of the permittee without prior route approval from the permit issuing office of the department of transportation if:

(a) The overall width of the transporting vehicle, including load, does not exceed ~~±2~~ 14 feet;

(b) The transporting vehicle otherwise complies with equipment requirements and length, height and weight limitations prescribed by this chapter;

(c) The movement is made after the hour of sunrise and not later than 30 minutes after sunset;

(d) The movement is not made when visibility is impaired by weather, fog or other conditions rendering persons and vehicles not clearly visible at a distance of 500 feet, or on Sundays after twelve o'clock noon, and holidays;

(e) The transporting vehicle shall display at the front and rear end of the load or vehicle a pair of flashing amber lights, as provided in section 169.59, subdivision 4, whenever the overall width of the vehicle exceeds ten feet, six inches; and

Changes or additions are indicated by underline, deletions by ~~strikeout~~.

(f) The movement, if made on a trunk highway, is made on a trunk highway with a surfaced roadway width of not less than 24 feet.

The fee for an annual permit is \$24.

Sec. 4. Minnesota Statutes 1984, section 169.81, subdivision 2, is amended to read:

Subd. 2. **LENGTH OF VEHICLES.** (a) No single unit motor vehicle, except truck cranes which may not exceed 45 feet, unladen or with load may exceed a length of 40 feet extreme overall dimensions inclusive of front and rear bumpers, except that the governing body of a city is authorized by permit to provide for the maximum length of a motor vehicle, or combination of motor vehicles, or the number of vehicles that may be fastened together, and which may be operated upon the streets or highways of a city; provided, that the permit may not prescribe a length less than that permitted by state law. A motor vehicle operated in compliance with the permit on the streets or highways of the city is not in violation of this chapter.

(b) No single semitrailer may have an overall length, exclusive of non-cargo-carrying accessory equipment, including refrigeration units or air compressors, necessary for safe and efficient operation mounted or located on the end of the semitrailer adjacent to the truck or truck-tractor, in excess of 48 feet, except ~~as provided in paragraph (d) that a single semitrailer may have an overall length in excess of 48 feet if (1) the distance from the kingpin to the centerline of the rear axle group of the semitrailer does not exceed 41 feet, and (2) if the semitrailer is operated only in a combination of vehicles which does not exceed an overall length of 65 feet.~~ No single trailer may have an overall length inclusive of tow bar assembly and exclusive of rear protective bumpers which do not increase the overall length by more than six inches, in excess of 45 feet. For determining compliance with the provisions of this subdivision, the length of the semitrailer or trailer must be determined separately from the overall length of the combination of vehicles.

(c) No semitrailer or trailer used in a three-vehicle combination may have an overall length, exclusive of non-cargo-carrying accessory equipment, including refrigeration units or air compressors, necessary for safe and efficient operation mounted or located on the end of the semitrailer or trailer adjacent to the truck or truck-tractor, and further exclusive of the tow bar assembly, in excess of 28-1/2 feet. The commissioner may not grant a permit authorizing the movement, in a three-vehicle combination, of a semitrailer or trailer that exceeds 28-1/2 feet, except that the commissioner may renew a permit that was granted before April 16, 1984 for the movement of a semitrailer or trailer that exceeds the length limitation in this paragraph.

~~(d) The commissioner may issue an annual permit for a semitrailer in excess of 48 feet in length, if the distance from the kingpin to the centerline of the rear axle group of the semitrailer does not exceed 41 feet and if a combination of vehicles, which includes a semitrailer in excess of 48 feet for which a permit~~

Changes or additions are indicated by underline, deletions by ~~strikeout~~.

has been issued under this paragraph, does not exceed an overall length of 65 feet. The annual fee for a permit issued under this paragraph is \$36.

Sec. 5. Minnesota Statutes 1984, section 169.81, subdivision 3, is amended to read:

Subd. 3. **LENGTH OF VEHICLE COMBINATIONS.** (a) Statewide, except as provided in paragraph (b), no combination of vehicles coupled together, including truck-tractor and semitrailer, may consist of more than two units and no combination of vehicles, unladen or with load, may exceed a total length of 65 feet. The length limitation does not apply to the transportation of telegraph poles, telephone poles, electric light and power poles, piling, or pole length pulpwood, and is subject to the following further exceptions: the length limitations do not apply to vehicles transporting pipe or other objects by a public utility when required for emergency or repair of public service facilities or when operated under special permits as provided in this subdivision, but with respect to night transportation, a vehicle and the load must be equipped with a sufficient number of clearance lamps and marker lamps on both sides and upon the extreme ends of a projecting load to clearly mark the dimensions of the load. Mount combinations may be drawn but the combinations may not exceed 65 feet in length. The limitation on the number of units does not apply to vehicles used for transporting milk from point of production to point of first processing, in which case no combination of vehicles coupled together unladen or with load, including truck-tractor and semitrailers, may consist of more than three units and no combination of those vehicles may exceed a total length of 65 feet. Notwithstanding other provisions of this section, and except as provided in paragraph (b), no combination of vehicles consisting of a truck-tractor and semitrailer designed and used exclusively for the transportation of motor vehicles or boats may exceed 65 feet in length. The load may extend a total of seven feet, but may not extend more than three feet beyond the front or four feet beyond the rear, and in no case may the overall length of the combination of vehicles, unladen or with load, exceed 65 feet. For the purpose of registration, trailers coupled with a truck-tractor, semitrailer combination are semitrailers. The state as to state trunk highways, and a city or town as to roads or streets located within the city or town, may issue permits authorizing the transportation of combinations of vehicles exceeding the limitations in this subdivision over highways, roads, or streets within their boundaries. Combinations of vehicles authorized by this subdivision may be restricted as to the use of highways by the commissioner as to state trunk highways, and a road authority as to highways or streets subject to its jurisdiction. Nothing in this subdivision alters or changes the authority vested in local authorities under the provisions of section 169.04.

(b) The following combination of vehicles regularly engaged in the transportation of commodities may operate only on divided highways having four or more lanes of travel, and on other highways as may be designated by the commissioner of transportation subject to section 169.87, subdivision 1, and subject to the approval of the authority having jurisdiction over the highway, for the purpose of providing reasonable access between the divided highways of four

Changes or additions are indicated by underline, deletions by ~~strikeout~~.



or more lanes of travel and terminals, facilities for food, fuel, repair, and rest, and points of loading and unloading for household goods carriers, livestock carriers, or for the purpose of providing continuity of route:

- (1) a truck-tractor and semitrailer exceeding 65 feet in length;
- (2) a combination of vehicles with an overall length exceeding 55 feet and including a truck-tractor and semitrailer drawing one additional semitrailer which may be equipped with an auxiliary dolly;
- (3) a combination of vehicles with an overall length exceeding 55 feet and including a truck-tractor and semitrailer drawing one full trailer; and
- (4) a truck-tractor and semitrailer designed and used exclusively for the transportation of motor vehicles or boats and exceeding an overall length of 65 feet including the load except as restricted by applicable federal law.

Vehicles operated under the provisions of this section must conform to the standards for those vehicles prescribed by the United States Department of Transportation, Federal Highway Administration, Bureau of Motor Carrier Safety, as amended.

Sec. 6. Minnesota Statutes 1984, section 169.825, is amended by adding a subdivision to read:

Subd. 3a. TANDEM. "Tandem axles" means two consecutive axles whose centers are spaced more than 40 inches and not more than 96 inches apart.

Sec. 7. Minnesota Statutes 1984, section 169.825, subdivision 8, is amended to read:

Subd. 8. **PNEUMATIC-TIRED VEHICLES.** No vehicle or combination of vehicles equipped with pneumatic tires shall be operated upon the highways of this state:

(a) Where the gross weight on any wheel exceeds 9,000 pounds, except that on designated local routes and state trunk highways the gross weight on any single wheel shall not exceed 10,000 pounds;

(b) Where the gross weight on any single axle exceeds 18,000 pounds, except that on designated local routes and state trunk highways the gross weight on any single axle shall not exceed 20,000 pounds;

(c) Where the maximum wheel load exceeds 600 pounds per inch of tire width or the manufacturer's recommended load, whichever is less;

(d) Where the gross weight on any axle of a tridem exceeds 15,000 pounds, except that for vehicles to which an additional axle has been added prior to June 1, 1981, the maximum gross weight on any axle of a tridem may be up to 16,000 pounds provided the gross weight of the tridem combination does not exceed

Changes or additions are indicated by underline, deletions by ~~strikeout~~.

37,000 pounds where the first and third axles of the tridem are spaced seven feet apart; 38,500 pounds where the first and third axles of the tridem are spaced eight feet apart; and 39,900 pounds where the first and third axles of the tridem are spaced nine feet apart.

(e) Where the gross weight on any group of axles exceeds the weights permitted under this section with any or all of the interior axles disregarded and their gross weights subtracted from the gross weight of all axles of the group under consideration.

Sec. 8. Minnesota Statutes 1984, section 169.825, subdivision 10, is amended to read:

Subd. 10. **GROSS WEIGHT SCHEDULE.** (a) No vehicle or combination of vehicles equipped with pneumatic tires shall be operated upon the highways of this state where the total gross weight on any group of two or more consecutive axles of any vehicle or combination of vehicles exceeds that given in the following table for the distance between the centers of the first and last axles of any group of two or more consecutive axles under consideration; the distance between axles being measured longitudinally to the nearest even foot, and when the measurement is a fraction of exactly one-half foot the next largest whole number in feet shall be used, except that when the distance between axles is more than three feet four inches and less than three feet six inches the distance of four feet shall be used:

Distances in feet between centers of fore- most and rearmost axles of a group	Maximum gross weight in pounds on a group of		
	2 consecutive axles of a 2-axle vehicle or of any vehicle or combination of vehicles having a total of 2 or more axles	3 consecutive axles of a 3-axle vehicle or of any vehicle or combination of vehicles having a total of 3 or more axles	4 consecutive axles of a 4-axle vehicle or any com- bination of vehicles having a total of 4 or more axles
4	34,000		
5	34,000 <del>(35,000)</del>		
6	34,000 <del>(36,000)</del>		
7	34,000 <del>(37,000)</del>	41,500	
8	34,000 <del>(38,000)</del>	42,000	
9	35,000 <del>(39,000)</del>	43,000	

Changes or additions are indicated by underline, deletions by ~~strikeout~~.

10	36,000	43,500	49,000
	(40,000)		
11	36,000	44,500	49,500
12		45,000	50,000
13		46,000	51,000
14		46,500	51,500
15		47,500	52,000
16		48,000	53,000
17		49,000	53,500
18		49,500	54,000
19		50,500	55,000
20		51,000	55,500
21		52,000	56,000
22		52,500	57,000
23		53,500	57,500
24		54,000	58,000
25		(55,000)	59,000
26		(55,500)	59,500
27		(56,500)	60,000
28		(57,000)	61,000
29		(58,000)	61,500
30		(58,500)	62,000
31		(59,500)	63,000
32		(60,000)	63,500
33			64,000
34			65,000
35			65,500
36			66,000
37			67,000
38			67,500
39			68,000
40			69,000
41			69,500
42			70,000
43			71,000
44			71,500
45			72,000
46			72,500
47			(73,500)
48			(74,000)
49			(74,500)
50			(75,500)
51			(76,000)
	Maximum gross weight in pounds on a group of		
	5	6	7
Distances	consecutive	consecutive	consecutive
in feet	axles of a	axles of	axles of
between	5-axle vehicle	a combination	axles of
centers	or any combination	of vehicles	of vehicles
of fore-	of vehicles	having a total	having a total
most and	having a total	of 6 or more	of 7 or more
rear-most	of 5 or more	axles	axles
axles of	axles		
a group	57,000		
14	57,500		
15			

Changes or additions are indicated by underline, deletions by ~~strikeout~~.

16	58,000		
17	59,000		
18	59,500		
19	60,000		
20	60,500	66,000	72,000
21	61,500	67,000	72,500
22	62,000	67,500	73,000
23	62,500	68,000	73,500
24	63,000	68,500	74,000
25	64,000	69,000	75,000
26	64,500	70,000	75,500
27	65,000	70,500	76,000
28	65,500	71,000	76,500
29	66,500	71,500	77,000
30	67,000	72,000	77,500
31	67,500	73,000	78,500
32	68,000	73,500	79,000
33	69,000	74,000	79,500
34	69,500	74,500	80,000
35	70,000	75,000	
36	70,500	76,000	
37	71,500	76,500	
38	72,000	77,000	
39	72,500	77,500	
40	73,000	78,000	
41	<del>74,000</del>	<del>(74,000)</del>	79,000
42	<del>74,500</del>	<del>(74,500)</del>	79,500
43	<del>75,000</del>	<del>(75,000)</del>	80,000
44	<del>75,500</del>	<del>(75,500)</del>	
45	<del>76,500</del>	<del>(76,500)</del>	
46	<del>77,000</del>	<del>(77,000)</del>	
47	<del>77,500</del>	<del>(77,500)</del>	
48	<del>78,000</del>	<del>(78,000)</del>	
49	<del>79,000</del>	<del>(79,000)</del>	
50	<del>79,500</del>	<del>(79,500)</del>	
51	<del>80,000</del>	<del>(80,000)</del>	

The gross weights shown in parentheses in this clause are permitted only on state trunk highways and routes designated under section 169.832, subdivision 11.

(b) Notwithstanding any lesser weight in pounds shown in this table but subject to the restrictions on gross vehicle weights in clause (c), two consecutive sets of tandem axles may carry a gross load of 34,000 pounds each and a combined gross load of 68,000 pounds provided the overall distance between the first and last axles of the consecutive sets of tandem axles is 36 feet or more.

(c) Notwithstanding the provisions of section 169.85, the gross vehicle weight of all axles of a vehicle or combination of vehicles shall not exceed ~~the following~~:

Changes or additions are indicated by underline, deletions by ~~strikeout~~.

(1) 80,000 pounds for any vehicle or combination of vehicles on all state trunk highways as defined in section 160.02, subdivision 2, and for all routes designated under section 169.832, subdivision 11; and

(2) 73,280 pounds for any vehicle or combination of vehicles with five axles or less on all routes, other than state trunk highways and routes that are not designated under section 169.832, subdivision 11; and

(3) 80,000 pounds for any vehicle or combination of vehicles with six or more axles on all routes, other than state trunk highways and routes that are not designated under section 169.832, subdivision 11;

(d) The maximum weights specified in this subdivision for five consecutive axles shall not apply to a combination of vehicles that includes a three axle semi-trailer first registered before August 1, 1981. All other weight limitations in this section are applicable;

(e) The maximum weights specified in this subdivision for five consecutive axles shall not apply to a four axle ready mix concrete truck which was equipped with a fifth axle prior to June 1, 1981. The maximum gross weight on four or fewer consecutive axles of vehicles excepted by this clause shall not exceed any maximum weight specified for four or fewer consecutive axles in this subdivision.

Sec. 9. Minnesota Statutes 1984, section 169.825, subdivision 11, is amended to read:

Subd. 11. **GROSS WEIGHT SEASONAL INCREASES.** (a) The limitations provided in this section are increased:

(1) by ten percent from January 1 to March 7 each winter, statewide;

(2) by ten percent from December 1 through December 31 each winter in the zone bounded as follows: beginning at Pigeon River in the northeast corner of Minnesota; thence in a southwesterly direction along the north shore of Lake Superior along Trunk Highway No. 61 to the junction with Trunk Highway No. 210; thence westerly along Trunk Highway No. 210 to the junction with Trunk Highway No. 10; thence northwesterly along Trunk Highway No. 10 to the junction with Trunk Highway No. 59; thence northerly along Trunk Highway No. 59 to the junction with Trunk Highway No. 2; thence westerly along Trunk Highway No. 2 to the junction with Trunk Highway No. 32; thence northerly along Trunk Highway No. 32 to the junction with Trunk Highway No. 44; thence northeast along Trunk Highway No. 44 to the east line of Range 43W to the Minnesota-North Dakota border; thence northerly along that border to the Minnesota-Canadian Border; thence easterly along said Border to Lake Superior; and

(3) by ten percent from October 1 to November 30 each year for the movement of sugar beets and potatoes from the field of harvest to the point of

Changes or additions are indicated by underline, deletions by ~~strikeout~~.

the first unloading. The commissioner shall not issue permits under this clause if to do so will result in a loss of federal highway funding to the state.

(b) The duration of a ten percent increase in load limits is subject to limitation by order of the commissioner, subject to implementation of spring-time load restrictions, or March 7.

(c) When the ten percent increase is in effect, a permit is required for a motor vehicle, trailer, or semitrailer combination that has a gross weight in excess of 80,000 pounds, an axle group weight in excess of that prescribed in subdivision 10, or a single axle weight in excess of 20,000 pounds and which travels on interstate routes.

(d) In cases where gross weights in an amount less than that set forth in this section are fixed, limited, or restricted on a highway or bridge by or under another section of this chapter, the lesser gross weight as fixed, limited, or restricted may not be exceeded and must control instead of the gross weights set forth in this section.

(e) Notwithstanding any other provision of this subdivision, no vehicle may exceed a total gross vehicle weight of 80,000 pounds on routes which have not been designated by the commissioner under section 169.832, subdivision 11.

Sec. 10. Minnesota Statutes 1984, section 169.832, is amended by adding a subdivision to read:

Subd. 13. RESTRICTIONS ON TRUNK HIGHWAYS. (a) For purposes of this section a "market artery" is a trunk highway or segment thereof that:

- (i) connects significant centers of population or commerce;
- (ii) connects highways described in clause (i);
- (iii) provides access to a transportation terminal; or
- (iv) provides temporary emergency service to a particular shipping or receiving point on a market artery.

(b) The commissioner may impose seasonal load restrictions under section 169.87 on a market artery only after giving 30 days' notice to the chairs of the transportation and appropriations committees of the house of representatives, and the chairs of the transportation and finance committees of the senate. The commissioner shall provide with each notice a plan to improve the market artery within the next three years so that seasonal load restrictions will not be necessary on it.

(c) The commissioner shall adopt rules under chapter 14 defining "significant centers of population and commerce" and "temporary emergency service" for purposes of this section. In drafting the rules, the commissioner shall consult with major highway users, representatives of manufacturing, retail trade and

Changes or additions are indicated by underline, deletions by ~~strikeout~~.

agriculture, local government and regional development commissions. The commissioner shall consider the importance of manufacturing, retailing, agriculture and natural resources in promulgating the rule, and shall hold at least four public meetings in various parts of the state prior to preparing the final draft of the rule. Between the effective date of this section and the effective date of the rule, "significant centers of population and commerce" means all home rule charter or statutory cities that had total retail sales of at least \$50,000,000 as reported in the 1982 census of retail trade of the United States department of commerce.

Sec. 11. Minnesota Statutes 1984, section 169.86, subdivision 2, is amended to read:

Subd. 2. **REQUIRED INFORMATION.** The application for ~~any such~~ a permit shall specifically describe in writing the vehicle or vehicles and loads to be moved and the particular highways ~~for which permit to so use is requested,~~ and the period of time for which ~~such~~ a permit is requested.

Sec. 12. Minnesota Statutes 1984, section 169.86, subdivision 5, is amended to read:

Subd. 5. **FEES.** The commissioner, with respect to highways under his jurisdiction, may charge a fee for each permit issued. All such fees for permits issued by the commissioner of transportation shall be deposited in the state treasury and credited to the trunk highway fund. Except for those annual permits for which the permit fees are specified elsewhere in this chapter, the fees shall be:

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

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

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

(1) refuse compactor vehicles that carry a gross weight up to but not in excess of 22,000 pounds on a single rear axle and not in excess of 38,000 pounds on a tandem rear axle;

(2) motor vehicles used to alleviate a temporary crisis adversely affecting the safety or well-being of the public;

(3) motor vehicles which travel on interstate highways and carry loads authorized under subdivision 1a;

(4) motor vehicles operating with gross weights authorized under section 169.825, subdivision 11, paragraph (a), clause (3).

Changes or additions are indicated by underline, deletions by ~~strikeout~~.

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

- (1) truck cranes;
- (2) construction equipment, machinery, and supplies;
- (3) manufactured homes;
- (4) farm equipment when the movement is not made according to the provisions of section 169.80, subdivision 1, paragraphs (a) to (f);
- (5) double-deck buses;
- (6) commercial boat hauling.

(e) for vehicles which have axle weights exceeding the weight limitations of section 169.825, an additional cost added to the fees listed above. The additional cost is equal to the product of the distance traveled times the sum of the overweight axle group cost factors shown in the following chart:

#### Overweight Axle Group Cost Factors

Weight (pounds) exceeding weight limi- tations on axles	Cost Per Mile For Each Group Of:		
	Two consec- utive axles spaced within 8 feet or less	Three consec- utive axles spaced within 9 feet or less	Four consec- utive axles spaced with- in 14 feet or less
0-2,000	.100	.040	.036
2,001-4,000	.124	.050	.044
4,001-6,000	.150	.062	.050
6,001-8,000	Not permitted	.078	.056
8,001-10,000	Not permitted	.094	.070
10,001-12,000	Not permitted	.116	.078
12,001-14,000	Not permitted	.140	.094
14,001-16,000	Not permitted	.168	.106
16,001-18,000	Not permitted	.200	.128
18,001-20,000	Not permitted	Not permitted	.140
20,001-22,000	Not permitted	Not permitted	.168

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

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

Gross Weight (pounds) of vehicle	Annual Permit Fee
90,000 or less	\$200.00
90,001 - 100,000	\$300.00
100,001 - 110,000	\$400.00
110,001 - 120,000	\$500.00
120,001 - 130,000	\$600.00
130,001 - 140,000	\$700.00
<u>140,001 - 145,000</u>	<u>\$800.00</u>

Changes or additions are indicated by underline, deletions by ~~strikeout~~.



If the gross weight of the vehicle is more than ~~140,000~~ 145,000 pounds the permit fee is determined under paragraph (e).

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

Sec. 13. Minnesota Statutes 1985 Supplement, section 169.862, is amended to read:

**169.862 PERMITS FOR WIDE LOADS OF BALED AGRICULTURAL PRODUCTS.**

The commissioner of transportation with respect to highways under the commissioner's jurisdiction, and local authorities with respect to highways under their jurisdiction, may issue an annual permit to enable a vehicle carrying round bales of ~~agricultural products~~ hay, straw, or cornstalks, with a total outside width of the vehicle or the load not exceeding 11-1/2 feet, to be operated on public streets and highways. Permits issued under this section are governed by the applicable provisions of section 169.86 except as otherwise provided herein and, in addition, carry the following restrictions:

(a) The vehicles may not be operated between sunset and sunrise, when visibility is impaired by weather, fog, or other conditions rendering persons and vehicles not clearly visible at a distance of 500 feet, or on Sunday from noon until sunset, or on the days the following holidays are observed: New Year's Day, Memorial Day, Independence Day, Labor Day, Thanksgiving Day, and Christmas Day.

(b) The vehicles may not be operated on interstate highways.

(c) The vehicles may not be operated on a trunk highway with a pavement less than 24 feet wide.

(d) A vehicle operated under the permit must be equipped with a retractable or removable mirror on the left side so located that it will reflect to the driver a clear view of the highway for a distance of at least 200 feet to the rear of the vehicle.

(e) A vehicle operated under the permit must display red, orange, or yellow flags, 18 inches square, as markers at the front and rear and on both sides of the load. The load must be securely bound to the transporting vehicle.

(f) Farm vehicles not for hire carrying round baled hay less than 20 miles are exempt from the requirement to obtain a permit. All other requirements of this section apply to vehicles transporting round baled hay.

The fee for the permit is \$24.

Changes or additions are indicated by underline, deletions by ~~strikeout~~.

## ARTICLE 14

## RAILROAD PROPERTY FIRST REFUSAL

## Section 1. [222.631] DEFINITIONS.

Subdivision 1. TERMS. For purposes of sections 1 to 3, the following terms have the meanings given them.

Subd. 2. FAIR MARKET VALUE. "Fair market value" means the price negotiated between the parties under section 2, or the market value of the property minus the value of any leasehold improvements, as determined by independent appraisers.

Subd. 3. LEASEHOLDER. "Leaseholder" means a person who holds a lease, license, or permit with respect to property within a right-of-way, and who has erected eligible leasehold improvements on the property with a total fair market value of \$7,500 or more.

Subd. 4. RAILROAD INTEREST. "Railroad interest" includes a railroad corporation, its trustee or successor in interest, a railroad corporation which is in proceedings for bankruptcy under federal law, and a nonrailroad holding corporation that owns a controlling interest in a railroad.

Subd. 5. RIGHT-OF-WAY. "Right-of-way" has the meaning given it in section 222.63, subdivision 1.

## Sec. 2. [222.632] RIGHT OF FIRST REFUSAL.

A railroad interest that is in bankruptcy proceedings may not sell or offer for sale an interest in real property that is within the right-of-way, and a railroad interest that is abandoning a railroad line may not sell or offer for sale an interest in real property within the right-of-way to be abandoned, unless it first extends a written offer to sell that interest at a fair market value price to each person who is a leaseholder with respect to the property. Leaseholders must respond to the offer within 60 days of receipt of the notice and the railroad interest must negotiate in good faith with an interested leaseholder for a period of 90 days following the leaseholder's response. After the 90-day negotiation period, either party may file a notice of dispute with the board under section 3. The property may not be sold to a party other than the leaseholder during the response and negotiation periods or while a dispute is pending before the board. This section does not apply to a sale of an entire operating railroad line by one operating railroad to another for the purpose of operating a railroad.

## Sec. 3. [222.633] TRANSPORTATION REGULATION BOARD TO RESOLVE DISPUTES.

(a) A railroad interest or leaseholder may apply to the transportation regulation board to resolve a dispute concerning fair market value or other terms arising from negotiations under section 2. The board must adopt guidelines without regard to chapter 14 to implement section 2 and this section. The

Changes or additions are indicated by underline, deletions by ~~strikeout~~.

guidelines must define the terms "leaseholders" and "railroad interest," establish a procedure to resolve disputes, and provide for the use of independent appraisers. Final rules must be adopted no later than 360 days from the effective date of this section.

(b) The board's decision is final for purposes of judicial review and may be reviewed in the district court for the jurisdiction where the property is located. The scope of judicial review is limited to a determination whether substantial evidence exists to support the board's decision.

#### Sec. 4. **EFFECTIVE DATE.**

This article is effective the day following final enactment.

---

## ARTICLE 15

### LANDLORD LIEN

#### Section 1. **[514.960] LANDLORD LIEN.**

Subdivision 1. LIEN; ATTACHMENT. A person or entity that leases property for agricultural production has a lien for unpaid rent on the crops produced on the property in the crop year and on the crop products and their proceeds.

Subd. 2. PERFECTION. (a) To perfect a landlord lien, the lien must attach and the person or entity entitled to the lien must file a lien statement with the appropriate filing office under section 336.9-401 by 30 days after the crops become growing crops.

(b) A landlord lien that is not perfected has the priority of an unperfected security interest under section 336.9-312.

Subd. 3. DUTIES OF FILING OFFICER. The filing officer shall enter on the lien statement the time of day and date of filing. The filing officer shall file, amend, terminate, note the filing of a lien statement, and charge the fee for filing under this section in the manner provided by section 336.9-403 for a financing statement. A lien statement is void and may be removed from the filing system 18 months after the date of filing. The lien statement may be physically destroyed after 30 months from the date of filing.

Subd. 4. PRIORITY. A landlord lien has priority over all other liens or security interests in crops grown or produced on the property that was leased and the crop products and proceeds.

Changes or additions are indicated by underline, deletions by ~~strikeout~~.

Subd. 5. ENFORCEMENT OF LIEN. The holder of a landlord lien may enforce the lien in the manner provided in sections 336.9-501 to 336.9-508, subject to section 550.17. For enforcement of the lien, the lienholder is the secured party and the person leasing the property is the debtor, and each has the respective rights and duties of a secured party and a debtor under sections 336.9-501 to 336.9-508. If a right or duty under sections 336.9-501 to 336.9-508 is contingent upon the existence of express language in a security agreement or may be waived by express language in a security agreement, the requisite language does not exist.

Subd. 6. ENFORCEMENT ACTIONS; LIEN EXTINGUISHED. An action to enforce a landlord lien may be brought in district court in a county where the property is located after the lien is perfected. A lien statement may be amended, except the amount demanded, by leave of the court in the furtherance of justice. A landlord lien is extinguished if an action to enforce the lien is not brought within 18 months after the date the lien statement is filed.

**Sec. 2. EFFECTIVE DATE.**

This article is effective the day following final enactment.

---

**ARTICLE 16**

**160 ACRE HOMESTEAD DECLARATION**

Section 1. Minnesota Statutes 1984, section 510.02, is amended to read:

**510.02 AREA, HOW LIMITED.**

The homestead may include any quantity of land not exceeding ~~80~~ 160 acres, and not included in the laid out or platted portion of any city. If it be within the laid out or platted portion of such place its area shall not exceed one-half of an acre.

**Sec. 2. EFFECTIVE DATE.**

This article is effective the day following final enactment.

Changes or additions are indicated by underline, deletions by ~~strikeout~~.

## ARTICLE 17

## ALTERNATIVE DISPUTE RESOLUTION

Section 1. Minnesota Statutes 1984, section 480.24, is amended by adding a subdivision to read:

**Subd. 5. NONPROFIT REGIONAL ALTERNATIVE DISPUTE RESOLUTION CORPORATION.** “Nonprofit regional alternative dispute resolution corporation” means a nonprofit corporation which trains and makes available to the public individuals who provide fact-finding, conciliation, mediation, or non-binding or binding arbitration services.

Sec. 2. Minnesota Statutes 1984, section 480.242, subdivision 2, is amended to read:

**Subd. 2. REVIEW OF APPLICATIONS; SELECTION OF RECIPIENTS.** At times and in accordance with any procedures as the supreme court adopts in the form of court rules, applications for the expenditure of funds collected pursuant to section 480.241 shall be accepted from qualified legal services programs or from local government agencies and nonprofit organizations seeking to establish qualified alternative dispute resolution programs. The applications shall be reviewed by the advisory committee, and the advisory committee, subject to review by the supreme court, shall distribute the funds received pursuant to section 480.241, subdivision 2 to qualified legal services programs or to qualified alternative dispute resolution programs submitting applications. Subject to the provisions of subdivision 4, the funds shall be distributed in accordance with the following formula:

(a) Eighty-five percent of the funds distributed shall be distributed to qualified legal services programs that have demonstrated an ability as of July 1, 1982, to provide legal services to persons unable to afford private counsel with funds provided by the federal Legal Services Corporation. The allocation of funds among the programs selected shall be based upon the number of persons with incomes below the poverty level established by the United States Census Bureau who reside in the geographical area served by each program, as determined by the supreme court on the basis of the 1980 national census. All funds distributed pursuant to this clause shall be used for the provision of legal services in civil matters to eligible clients.

(b) Fifteen percent of the funds distributed may be distributed (1) to other qualified legal services programs for the provision of legal services in civil matters to eligible clients, including programs which organize members of the private bar to perform services and programs for qualified alternative dispute resolution, or (2) to programs for training mediators operated by nonprofit alternative dispute resolution corporations. Grants may be made pursuant to this clause only until June 30, 1987. If all the funds to be distributed pursuant to this clause cannot be distributed because of insufficient acceptable applications, the remaining funds shall be distributed pursuant to clause (a).

Changes or additions are indicated by underline, deletions by ~~strikeout~~.

Sec. 3. Minnesota Statutes 1984, section 572.33, subdivision 1, is amended to read:

Subdivision 1. **SCOPE.** When used in ~~Laws 1984, chapter 646, sections 1 to 7~~ sections 572.31 to 572.40 and section 6 the terms defined in this section have the meanings given them.

Sec. 4. Minnesota Statutes 1984, section 572.33, is amended by adding a subdivision to read:

Subd. 5. NONPROFIT REGIONAL ALTERNATIVE DISPUTE RESOLUTION CORPORATION. "Nonprofit regional alternative dispute resolution corporation" has the meaning given in section 1.

Sec. 5. Minnesota Statutes 1984, section 572.35, is amended to read:

**572.35 EFFECT OF MEDIATED SETTLEMENT AGREEMENT.**

Subdivision 1. GENERAL. The effect of a mediated settlement agreement shall be determined under principles of law applicable to contract. A mediated settlement agreement is not binding unless it contains a provision stating that it is binding and a provision stating substantially that the parties were advised in writing that (a) the mediator has no duty to protect their interests or provide them with information about their legal rights; (b) signing a mediated settlement agreement may adversely affect their legal rights; and (c) they should consult an attorney before signing a mediated settlement agreement if they are uncertain of their rights.

Subd. 2. DEBTOR AND CREDITOR MEDIATION. In addition to the requirements of subdivision 1, a mediated settlement agreement between a debtor and creditor is not binding until 72 hours after it is signed by the debtor and creditor, during which time either party may withdraw consent to the binding character of the agreement.

Sec. 6. **[572.41] DEBTOR AND CREDITOR MEDIATION.**

Subdivision 1. GENERAL. The debtor and creditor in any transaction may request the other party to the transaction to enter mediation concerning possible adjustment, refinancing, or payment under this section and sections 572.31 to 572.40.

Subd. 2. MEDIATORS. An individual who meets the qualifications established under subdivision 5 and who is willing to mediate in matters involving debtors and creditors may register with a nonprofit regional alternative dispute resolution corporation or, in a county where one does not exist, with the court administrator. The court administrator shall develop a list of mediators available in the county. It is desirable but not necessary that mediators under this section have knowledge of debtor and creditor law and relevant areas of finance. A mediator must not mediate a matter involving a debtor or creditor with whom the mediator has or has had a credit relationship.

Changes or additions are indicated by underline, deletions by strikeout.

Subd. 3. REQUEST FOR MEDIATOR. A debtor and creditor who agree to mediate may submit a written request for referral to a mediator to the court administrator in the county where either party resides or has a place of business. The court administrator shall assign a mediator from the list developed under subdivision 2. The court administrator may charge a fee for the referral not to exceed the conciliation court fee in that county.

Subd. 4. COMPENSATION. Prior to commencing mediation the debtor and creditor shall agree with each other and the mediator on the amount and allocation between them of any fee for the mediator's services.

Subd. 5. RULES. The state court administrator, in consultation with the bureau of mediation services, shall adopt rules to implement this section and may use portions of existing rules on certification of alternative dispute resolution programs that satisfy the purposes of this section. The rules must include qualifications of mediators under this section and grounds for challenging and removing mediators.

**Sec. 7. EFFECTIVE DATE.**

This article is effective the day following final enactment.

---

**ARTICLE 18**

**WILD RICE LAND**

Section 1. Minnesota Statutes 1985 Supplement, section 92.50, subdivision 1, is amended to read:

Subdivision 1. **LEASE TERMS.** The commissioner of natural resources may lease, at public or private vendue and at the prices and under the terms and conditions he or she may prescribe, any state-owned lands under his or her jurisdiction and control for the purpose of taking and removing sand, gravel, clay, rock, marl, peat, and black dirt, for storing ore, waste materials from mines, or rock and tailings from ore milling plants, for roads or railroads, or for any other uses consistent with the interests of the state. Except as otherwise provided in this subdivision, the term of the lease may not exceed ten years. Leases of lands for storage sites for ore, waste materials from mines, or rock and tailings from ore milling plants, for the removal of peat, or for the use of peat lands for agricultural purposes may not exceed a term of 25 years. Leases for the removal of peat must be approved by the executive council.

All leases must be subject to sale and leasing of the land for mineral pur-

Changes or additions are indicated by underline, deletions by ~~strikeout~~.

poses and contain a provision for cancellation for just cause at any time by the commissioner upon ~~three~~ six months' written notice. A longer notice period, not exceeding three years, may be provided in leases for storing ore, waste materials from mines or rock or tailings from ore milling plants. The commissioner may determine the terms and conditions, including the notice period, for cancellation of a lease for the removal of peat. Money received from leases under this section must be credited to the fund to which the land belongs.

Sec. 2. Minnesota Statutes 1985 Supplement, section 92.501, subdivision 1, is amended to read:

**92.501 LEASING OF PEAT LANDS FOR WILD RICE FARMING.**

Subdivision 1. **AUTHORITY TO LEASE.** The commissioner of natural resources in consultation with the commissioner of agriculture may, at a public or private lease sale and at the prices and under the terms and conditions the ~~commissioner~~ commissioners may prescribe, lease any state-owned lands under the commissioner's jurisdiction and control for the purpose of farming of wild rice. Priority must be given to lands which are accessible and adjacent to existing wild rice production areas and requested for leasing by wild rice producers. The term of a lease under this section ~~shall~~ must be offered for a minimum of 20 years but may be for a shorter period at the option of the lessee. If a lease is issued prior to the adoption of the rules for the implementation of this section and for a period of less than 20 years, the lease must be converted to a minimum 20-year lease after the rules have been adopted, at the option of the lessee. Leases must be accepted or denied within 60 days of application. If a lease is denied, written notice must be given stating reasons for denial. The lease rate ~~shall~~ must be adjusted every five years to reflect market values. The money received from the leases under this section ~~shall~~ must be credited to the account that receives the proceeds of a sale of the land.

Sec. 3. Minnesota Statutes 1985 Supplement, section 92.501, subdivision 2, is amended to read:

Subd. 2. **WILD RICE LAND DESIGNATION AND DEVELOPMENT.** The commissioner of natural resources and the commissioner of agriculture shall prepare a plan that designates state land for wild rice production including an inventory of the number of acres of land appropriate and suitable for wild rice development and leasing in each county. Proposed mineral exploration does not exempt land from being designated for wild rice development.

**Sec. 4. EFFECTIVE DATE.**

This article is effective the day following final enactment.

Changes or additions are indicated by underline, deletions by ~~strikeout~~.



## ARTICLE 19

## DEFICIENCY JUDGMENTS

## Section 1. LEGISLATIVE FINDINGS.

The legislature finds that there is a rural economic emergency resulting from the agricultural economic depression. Foreclosure sales and subsequent deficiency judgments are debilitating the people foreclosed and taking away their hope for readjustment after foreclosure, which is detrimental to the welfare of the state.

## Sec. 2. [580.225] SATISFACTION OF JUDGMENT.

The amount received from foreclosure sale under this chapter is full satisfaction of the mortgage debt, except as provided in section 5.

Sec. 3. Minnesota Statutes 1984, section 580.23, subdivision 1, is amended to read:

## 580.23 REDEMPTION BY MORTGAGOR.

Subdivision 1. When lands have been sold in conformity with the preceding sections of this chapter the mortgagor, his personal representatives or assigns, within six months after such sale, except as otherwise provided in subdivision 2, may redeem such lands, as hereinafter provided, by paying the sum of money for which the same were sold, with interest from the time of sale at the rate provided to be paid on the mortgage debt and, if no rate be provided in the mortgage note, at the rate of six percent per annum, together with any further sums which may be payable pursuant to section 582.03. ~~Where the redemption period is as provided in this subdivision the mortgagee, or his successors, assigns, or personal representative, or any other purchaser so purchasing at the sheriff's sale shall by purchasing the property at the sheriff's sale thereby waive his right to a deficiency judgment against the mortgagor.~~

Sec. 4. Minnesota Statutes 1984, section 581.09, is amended to read:

## 581.09 SATISFACTION OF JUDGMENT; EXECUTION FOR DEFICIENCY.

Upon confirmation of the report of sale, the clerk shall enter satisfaction of the judgment to the extent of the sum bid for the premises, less expenses and costs; and for any balance of such judgment, execution may issue as in other cases; but no such execution shall issue on the judgment until after a sale of the mortgaged premises, and the application of the amount realized as aforesaid. The amount entered is full satisfaction of the judgment unless a deficiency is allowed under section 5. If a deficiency judgment is allowed under section 5, the balance of the judgment remaining unpaid may be executed and satisfied in the same manner as a personal judgment against the mortgagor.

## Sec. 5. [582.30] DEFICIENCY JUDGMENTS.

Subdivision 1. DEFICIENCY ALLOWED. (a) Except as provided in this section, a person holding a mortgage may obtain a deficiency judgment against the mortgagor if the amount a person holding a mortgage receives from a foreclosure sale is less than:

Changes or additions are indicated by underline, deletions by ~~strikeout~~.

- (1) the amount remaining unpaid on the mortgage under chapter 580; or
- (2) the amount of the judgment entered under chapter 581.

(b) Except as provided in subdivision 3, the judgment may not be for more than the difference between the amount received from the foreclosure sale less expenses and costs and:

(1) for a foreclosure by advertisement, the total amount that attaches to the sale proceeds under chapter 580; or

(2) for a foreclosure by action, the amount of the judgment entered under chapter 581.

Subd. 2. GENERAL PROHIBITION FOR PROPERTY WITH A SIX-MONTH REDEMPTION PERIOD. A deficiency judgment is not allowed if a mortgage is foreclosed by advertisement under chapter 580, and has a redemption period of six months under section 580.23, subdivision 1.

Subd. 3. MORTGAGE ON AGRICULTURAL PROPERTY ENTERED AFTER THE EFFECTIVE DATE OF THIS ARTICLE. (a) If a mortgage entered after the effective date of this article on property used in agricultural production is foreclosed and sold, a deficiency judgment may only be obtained by filing a separate action for a deficiency judgment within 90 days after the foreclosure sale. A court may allow a deficiency judgment only if it determines that the sale of the property was conducted in a commercially reasonable manner.

(b) The amount of the deficiency judgment is limited to the difference of the fair market value of the property, and the amount remaining unpaid on the mortgage if the foreclosure is under chapter 580 or the amount of the judgment if the foreclosure is under chapter 581. A separate jury proceeding must be brought to determine the fair market value of the property. The property may not be presumed to be sold for its fair market value. A party adversely affected by a deficiency judgment may submit evidence relevant to establishing the fair market value of the property. Notice of the time and place where the fair market value of the property is to be determined must be given to all parties adversely affected by the judgment.

Subd. 4. JUDGMENT ON MORTGAGE NOTE. A personal judgment may not be executed against a mortgagor liable on a mortgage note entered after the effective date of this article secured by real property used in agricultural production, unless the fair market value of the property is determined by a jury in a separate proceeding as provided in subdivision 3, paragraph (b). The personal judgment on the mortgage note may not be for more than the difference of the amount due on the note and the fair market value of the property.

Subd. 5. MORTGAGE ON AGRICULTURAL PROPERTY ENTERED ON OR BEFORE THE EFFECTIVE DATE OF THIS ARTICLE. (a) If a mortgage entered on or before the effective date of this article on property used in agricultural production is foreclosed and sold, a deficiency judgment may

Changes or additions are indicated by underline, deletions by ~~strikeout~~.

only be obtained by filing a separate action for a deficiency judgment within 90 days after the foreclosure sale. A court may allow a deficiency judgment only if it determines that the sale of the property was conducted in a commercially reasonable manner.

(b) The amount of the deficiency judgment is limited to the difference of the fair market value of the property, and the amount remaining unpaid on the mortgage if the foreclosure is under chapter 580 or the amount of the judgment if the foreclosure is under chapter 581. A separate jury proceeding must be brought to determine the fair market value of the property. The property may not be presumed to be sold for its fair market value. A party adversely affected by a deficiency judgment may submit evidence relevant to establishing the fair market value of the property. Notice of the time and place where the fair market value of the property is to be determined must be given to all parties adversely affected by the judgment.

Subd. 6. JUDGMENT ON MORTGAGE NOTE. A personal judgment may not be executed against a mortgagor liable on a mortgage note entered on or before the effective date of this article secured by real property used in agricultural production, unless the fair market value of the property is determined by a jury in a separate proceeding as provided in subdivision 5, paragraph (b). The personal judgment on the mortgage note may not be for more than the difference of the amount due on the note and the fair market value of the property.

Subd. 7. STATUTE OF LIMITATIONS ON EXECUTING JUDGMENT. A deficiency judgment or personal judgment obtained to enforce a mortgage debt on property used in agricultural production may be enforced by execution, but the judgment may not be executed after three years from the date judgment was entered.

Subd. 8. POSTPONEMENT ON EXECUTING JUDGMENTS ON OR BEFORE THE EFFECTIVE DATE OF THIS ARTICLE. For a mortgage on property used in agricultural production entered on or before the effective date of this article, a deficiency judgment or personal judgment to enforce the mortgage debt may not be executed on real or personal property used for agricultural production until one year after the effective date of this article.

Subd. 9. ATTACHMENT OF JUDGMENT AFTER JUDGMENT IS ENTERED. A deficiency judgment or personal judgment obtained to enforce a mortgage debt on property used in agricultural production does not attach to real or personal property that is acquired by the mortgagor or debtor after the judgment is entered.

**Sec. 6. [582.31] ONE ACTION ALLOWED TO ENFORCE AGRICULTURAL MORTGAGE.**

(a) For a mortgage on property used in agricultural production entered into on or before the effective date of this article, the mortgagee may only proceed to:

Changes or additions are indicated by underline, deletions by ~~strikeout~~.

(1) obtain a personal judgment for the debt owed on the note secured by the mortgage and execute on the judgment; or

(2) foreclose the mortgage and obtain a deficiency judgment, if allowed.

(b) An action under paragraph (a), either clause (1) or (2), bars an action under the other clause.

Sec. 7. EFFECTIVE DATE.

This article is effective the day after final enactment.

---

## ARTICLE 20

### RIGHT OF FIRST REFUSAL

Section 1. Minnesota Statutes 1984, section 500.24, is amended by adding a subdivision to read:

Subd. 6. DISPOSAL OF LAND. A state or federal agency or a corporation, other than a family farm corporation or an authorized farm corporation, when leasing or selling farm land or a farm homestead, must offer or make a good faith effort to offer land for sale or lease to the immediately preceding former owner at a price no higher than the highest price offered by a third party that is acceptable to the seller or lessor. An offer delivered by certified mail to the former owner's last known address is a good faith offer. This subdivision does not apply to a sale or lease that occurs after the seller or lessor has held the property for five years.

The former owner must exercise the right to lease farm land within 30 days after receiving an offer to lease under this subdivision. The former owner must exercise the right to buy farm land within 90 days after receiving an offer to buy under this subdivision.

Sec. 2. EFFECTIVE DATE.

This article is effective the day following final enactment.

Changes or additions are indicated by underline, deletions by ~~strikeout~~.

## ARTICLE 21

## INVOLUNTARY FARM TRANSFER INCOME EXCLUSION

Section 1. Minnesota Statutes 1985 Supplement, section 290.01, subdivision 20b, is amended to read:

Subd. 20b. **MODIFICATIONS REDUCING FEDERAL ADJUSTED GROSS INCOME.** There shall be subtracted from federal adjusted gross income:

(1) interest income on obligations of any authority, commission or instrumentality of the United States to the extent includible in gross income for federal income tax purposes but exempt from state income tax under the laws of the United States;

(2) the portion of any gain, from the sale or other disposition of property having a higher adjusted basis for Minnesota income tax purposes than for federal income tax purposes, that does not exceed such difference in basis; but if such gain is considered a long-term capital gain for federal income tax purposes, the modification shall be limited to 40 per centum of the portion of the gain;

(3) losses, not otherwise reducing federal adjusted gross income assignable to Minnesota, arising from events or transactions which are assignable to Minnesota under the provisions of sections 290.17 to 290.20, including any capital loss or net operating loss carryforwards or carrybacks or out of state loss carryforwards resulting from the losses, and including any farm loss carryforwards or carrybacks;

(4) if included in federal adjusted gross income, the amount of any overpayment of income tax to Minnesota, or any other state, for any previous taxable year, whether the amount is received as a refund or credited to another taxable year's income tax liability;

(5) the amount of any distribution from a qualified pension or profit-sharing plan included in federal adjusted gross income in the year of receipt to the extent of any contribution not previously allowed as a deduction by reason of a change in federal law which was not adopted by Minnesota law for a taxable year beginning in 1974 or later;

(6) pension income as provided by section 290.08, subdivision 26;

(7) the first \$3,000 of compensation for personal services in the armed forces of the United States or the United Nations, and the next \$2,000 of compensation for personal services in the armed forces of the United States or the United Nations wholly performed outside the state of Minnesota. This modification does not apply to compensation defined in clause (6);

(8) unemployment compensation to the extent includible in gross income for federal income tax purposes under section 85 of the Internal Revenue Code of 1954;

Changes or additions are indicated by underline, deletions by ~~strikeout~~.

(9) for an estate or trust, the amount of any income or gain which is not assignable to Minnesota under the provisions of section 290.17;

(10)(a) income from the business of mining as defined in section 290.05, subdivision 1, clause (a) which is not subject to the Minnesota income tax; (b) to the extent included in computing federal adjusted gross income, expenses and other items allocable to the business of mining or producing iron ore, the mining or production of which is subject to the occupation tax imposed by section 298.01, subdivision 1, shall be allowed as a subtraction to the extent that the expenses or other items are included in computing the modifications provided in section 290.01, subdivision 20a, clause (7) or paragraph (a) of this clause and to the extent that the expenses or other items are not deductible, capitalizable, retainable in basis, or taken into account by allowance or otherwise in computing the occupation tax. Occupation taxes imposed under chapter 298, royalty taxes imposed under chapter 299, and depletion expenses may not be subtracted under this paragraph;

(11) to the extent included in federal adjusted gross income, distributions from a qualified governmental pension plan which represent a return of designated employee contributions to the plan and which contributions were included in gross income pursuant to Minnesota Statutes 1984, section 290.01, subdivision 20a, clause (18). The provisions of this clause shall apply before the provisions of clause (6) apply and an amount subtracted under this clause may not be subtracted under clause (6); and

(12) to the extent included in federal adjusted gross income, distributions from an individual retirement account which represent a return of contributions if the contributions were included in gross income pursuant to Minnesota Statutes 1984, section 290.01, subdivision 20a, clause (17). The distribution shall be allocated first to return of contributions included in gross income until the amount of the contributions has been exhausted;

(13) to the extent included in federal adjusted gross income, income related to disposition of property used in a family farm business as provided by section 290.08, subdivision 27.

Sec. 2. Minnesota Statutes 1984, section 290.08, is amended by adding a subdivision to read:

Subd. 27. FARM PROPERTY DISPOSITION INCOME. For a person, a family farm corporation, or an authorized farm corporation, gross income does not include any gain realized upon termination of a contract for deed, foreclosure of a mortgage, or deed in lieu of foreclosure if a foreclosure proceeding has been initiated or threatened in writing on real or personal property used in a farm business that was owned and operated by the taxpayer as the taxpayer's principal business. For the purposes of this subdivision, real property includes any dwellings located on the property. This modification does not apply to any net cash proceeds distributed to the taxpayer after discharge of the debt. For purposes of this subdivision "family farm corporation" and "authorized farm corporation" are as defined in section 500.24, subdivision 2, except that the

Changes or additions are indicated by underline, deletions by ~~strikeout~~.

term "farming" as used in those definitions includes the production of livestock, dairy animals or dairy products, poultry or poultry products, fur-bearing animals, horticultural and nursery stock that is covered by sections 18.44 to 18.61, fruit, vegetables, forage, grain, and bees and apiary products.

Sec. 3. Minnesota Statutes 1985 Supplement, section 290.091, subdivision 2, is amended to read:

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

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

(1) the taxpayer's federal adjusted gross income as defined in the Internal Revenue Code;

(2) the taxpayer's federal tax preference items; less the sum of

(i) interest income as defined in section 290.01, subdivision 20b, clause (1); and

(ii) the amount of interest paid or accrued within the taxable year on indebtedness to the extent that the amount does not exceed qualified net investment income, as defined in section 55(e)(5) of the Internal Revenue Code. Interest does not include amounts deducted in computing federal adjusted gross income or amounts that are not allowable under section 55(e)(8) of the Internal Revenue Code; and

(iii) to the extent included in the taxpayer's federal adjusted gross income, gain excluded from gross income under section 290.01, subdivision 20b, clause (13).

In the case of an estate or trust, adjusted gross income must be modified as provided in section 55(e)(6)(B) of the Internal Revenue Code.

(b) "Federal tax preference items" means items as defined in sections 57, 58, and 443(d) of the Internal Revenue Code, modified as follows:

(1) The capital gain preference item shall be reduced

(i) where the gain would be modified because some or all of the assets have a higher basis for Minnesota purposes than for federal purposes; and

(ii) to the extent it includes gain excluded from gross income under section 290.01, subdivision 20b, clause (13).

(2) In the case of a nonresident individual, or an estate or trust, with a net operating loss that is a larger amount for Minnesota than for federal, the capital gain preference item shall be reduced to the extent it was reduced in the allowance of the net operating loss.

Changes or additions are indicated by underline, deletions by ~~strikeout~~.

(3) Federal preference items from the business of mining or producing iron ore and other ores which are subject to the occupation tax and exempt from taxation under section 290.05, subdivision 1, shall not be a preference item for Minnesota.

(4) Other federal preference items to the extent not allowed in the computation of Minnesota gross income, as determined by the commissioner, are not preference items for Minnesota.

(c) "Internal Revenue Code" means the Internal Revenue Code of 1954, as amended through December 31, 1984.

(d) "Regular tax" means the tax that would be imposed under this chapter (without regard to this section), reduced by the sum of the nonrefundable credits allowed under this chapter.

Sec. 4. Minnesota Statutes 1985 Supplement, section 290.491, is amended to read:

#### 290.491 TAX ON GAIN; DISCHARGE IN BANKRUPTCY.

(a) Any tax due under this chapter on a gain realized on a forced sale pursuant to foreclosure of a mortgage or other security interest in agricultural production property, other real property, or equipment, used in a farm business that was owned and operated by the taxpayer shall be a dischargeable debt in a bankruptcy proceeding under United States Code, title 11, section 727.

A ~~gain~~ (b) Income realized on a sale or exchange of agricultural production property, other real property, or equipment, used in a farm business that was owned and operated by the taxpayer shall be exempt from taxation under this chapter, if the taxpayer was insolvent at the time of the sale and the proceeds of the sale were used solely to discharge indebtedness secured by a mortgage, lien or other security interest on the property sold. For purposes of this section, "insolvent" means insolvent as defined in section 108(d)(3) of the Internal Revenue Code of 1954, as amended through December 31, 1984. This paragraph applies only to the extent that the gain is includable in federal adjusted gross income or in the computation of the alternative minimum taxable income under section 290.091 for purposes of the alternative minimum tax. The amount of the exemption is limited to the excess of the taxpayer's (1) liabilities over (2) the total assets and any exclusion claimed under section 108 of the Internal Revenue Code of 1954, as amended through December 31, 1985, determined immediately before application of this paragraph.

(c) For purposes of this section, any tax due under this chapter specifically includes, but is not limited to, tax imposed under sections 290.02 and 290.03 on income derived from a sale or exchange, whether constituting gain, discharge of indebtedness or recapture of depreciation deductions, or the alternative minimum tax imposed under section 290.091.

Changes or additions are indicated by underline, deletions by ~~strikeout~~.



**Sec. 5. AMENDED RETURNS.**

Subdivision 1. SPECIAL RULES. An amended return filed on the basis of this article for a taxable year beginning after December 31, 1982, and before January 1, 1985, shall be filed no later than June 30, 1987. Such a return may include a reduction in gross income to effect subtraction of any amount added to gross income for that year pursuant to Minnesota Statutes 1984, section 290.01, subdivision 20a, clause (3), if the increase in the federal tax liability was a result of recapture of the investment tax credit attributable to disposition of property described in section 2. Any reduction in income arising from a farm pursuant to this article shall not be considered in the computation of the farm loss modification under Minnesota Statutes 1984, section 290.09, subdivision 29, in an amended return. On an amended return for a taxable year beginning after December 31, 1982, and before January 1, 1985, the minimum tax imposed under Minnesota Statutes 1984, section 290.091, shall be computed by subtracting from federal preference items the amount of any gain excluded from gross income under section 290.01, subdivision 20b; clause (13), that was included in the taxpayer's federal preference items in that taxable year.

Subd. 2. PAYMENT OF REFUNDS. The commissioner of revenue shall pay refunds to claimants who file amended returns based on this article notwithstanding expiration of the period of limitations in Minnesota Statutes, section 290.50, or any other law. No interest will be paid on refunds paid on claims filed for periods for which the statute of limitations had expired.

**Sec. 6. EFFECTIVE DATE.**

Sections 1, 2, and 4 are effective for taxable years beginning after December 31, 1982. Section 3 is effective for taxable years beginning after December 31, 1984.

---

**ARTICLE 22****FARM ADVOCATE ETHICAL GUIDELINES****Section 1. [17.039] ETHICAL GUIDELINES FOR FARM ADVOCATES.**

The commissioner of agriculture shall establish not later than August 1, 1986, ethical guidelines for farm advocates who perform the duties of an advocate. The ethical guidelines must be part of the contract with each advocate.

**Sec. 2. EFFECTIVE DATE.**

Changes or additions are indicated by underline, deletions by ~~strikeout~~.

This article is effective the day following final enactment.

## ARTICLE 23

### FARM LOAN INTEREST BUY-DOWN

#### Section 1. DEFINITIONS.

Subdivision 1. APPLICABILITY. The definitions in this section apply to sections 1 to 9.

Subd. 2. APPROVED ADULT FARM MANAGEMENT PROGRAM. "Approved adult farm management program" means a farm management training program designed for persons currently engaged in farming that has been approved by the commissioner under section 4, subdivision 4.

Subd. 3. COMMISSIONER. "Commissioner" means the commissioner of commerce.

Subd. 4. COMMISSIONER'S INTEREST INDEX. "Commissioner's interest index" means an interest rate that is three percent above the current lending rate of the Federal Interest Credit Bank to production credit associations as certified each month by the commissioner.

Subd. 5. ELIGIBLE BORROWER. "Eligible borrower" means a farmer who applies to a lender for a farm operating loan between the dates January 1, 1986, and December 30, 1986, and who meets all qualifications established in section 2 and any further qualifications that may be established in the program guidelines adopted by the commissioner under section 4, subdivision 1.

Subd. 6. FARM OPERATING LOAN. "Farm operating loan" means an original, extended, or renegotiated loan or line of credit obtained by a farmer from a lender for the purpose of financing the operations of a farm. A farm operating loan includes an open line of credit even though the maximum principal amount of the line of credit may not be drawn at any one time. A farm operating loan eligible for interest rate buy-down must have a maturity date of June 30, 1987, or earlier.

Subd. 7. FARMER. "Farmer" means a state resident or a domestic family farm corporation as defined in section 500.24, subdivision 2, operating a farm within the state.

Subd. 8. INTEREST RATE BUY-DOWN; BUY-DOWN. "Interest rate buy-down" or "buy-down" means a reduction in the effective interest rate on a

Changes or additions are indicated by underline, deletions by ~~strikeout~~.

farm operating loan made pursuant to sections 1 to 9 to an eligible borrower due to partial payment of interest costs by the commissioner and partial payment of interest costs by the participating lender.

Subd. 9. LENDER. "Lender" means a bank, a credit union, or a savings and loan association chartered by the state or federal government, a unit of the farm credit system, the federal deposit insurance corporation, and other financial institutions that the commissioner deems appropriate.

Subd. 10. PARTICIPATING LENDER. "Participating lender" means a lender who has been granted participating lender status by the commissioner.

## Sec. 2. FARMER ELIGIBILITY.

Subdivision 1. DEBT-TO-ASSET RATIO. Only a farmer with a debt-to-asset ratio exceeding 50 percent at the time of application for a farm operating loan is an eligible borrower for purposes of interest rate buy-down. The debt-to-asset ratio of a farmer must be determined by the lender. A debt-to-asset ratio determined by a lender is deemed to be reasonable and accurate without further audit or substantiation.

Subd. 2. ASSESSMENT OF CONTINUED VIABILITY. Only a farmer determined by the lender to have a reasonable opportunity for long-term financial viability in the farmer's current farm operation is an eligible borrower. A determination of financial viability by a lender is deemed to be reasonable and accurate without further audit or substantiation.

Subd. 3. ENROLLMENT IN ADULT FARM MANAGEMENT PROGRAM. To be an eligible borrower, a farmer must agree to enroll in an approved adult farm management program offered not more than 50 miles from the farmer's residence if enrollment is a condition of receiving a farm operating loan from a participating lender.

## Sec. 3. LENDER ELIGIBILITY.

Subdivision 1. ELIGIBLE PARTICIPATING LENDER STATUS. A lender who meets all requirements established by the commissioner must be certified as a participating lender.

Subd. 2. PARTIAL PAYMENT FOR ADULT FARM MANAGEMENT TRAINING. A participating lender must agree to pay one-half of the enrollment and tuition costs of an approved adult farm management program for an eligible borrower approved by the commissioner for interest rate buy-down. A participating lender is not required to assist with enrollment or tuition costs for a period longer than the term of the farm operating loan, and a lender is not required to assist with the enrollment and tuition costs for more than one individual for each farm operating loan.

## Sec. 4. RESPONSIBILITIES OF THE COMMISSIONER.

Changes or additions are indicated by underline, deletions by ~~strikeout~~.

Subdivision 1. ADOPTION OF PROGRAM GUIDELINES. Within 30 days after the effective date of sections 1 to 9, the commissioner shall adopt and make available to any interested party guidelines for the interest rate buy-down program established in sections 1 to 9. To the maximum extent practicable, the commissioner shall adopt guidelines that coordinate the state program with any federal farm financial relief program and make benefits of the state interest rate buy-down program additive to the federal program. The commissioner may adopt program guidelines without regard to chapter 14.

Subd. 2. PREPARATION AND DISTRIBUTION OF LENDER PARTICIPATION FORMS. The commissioner shall prepare and distribute to all lenders in the state forms and instructions for the program.

Subd. 3. PREPARATION AND DISTRIBUTION OF LOAN APPLICATION FORMS. The commissioner shall prepare and distribute to all participating lenders forms and instructions to be used in applying for state interest rate buy-down payments.

Subd. 4. APPROVAL OF ADULT FARM MANAGEMENT PROGRAMS. The commissioner, in consultation with the commissioner of agriculture, shall prepare and distribute to all participating lenders a list of adult farm management training programs approved for eligible borrowers.

Subd. 5. REVIEW OF APPLICATIONS FOR BUY-DOWN PAYMENT. The commissioner must review within five working days of submission by a participating lender a properly completed application for interest rate buy-down payments on a farm operating loan made to a farmer. If a qualified lender does not receive written notice that the commissioner has denied interest rate buy-down payments within seven working days, the farmer is an eligible borrower and interest rate buy-down payments on the farm operating loan are approved by the commissioner.

Subd. 6. BUY-DOWN PAYMENTS TO PARTICIPATING LENDERS. The commissioner shall make interest rate buy-down payments to participating lenders as provided in this subdivision. An amount equal to half of the expected interest rate buy-down amount may be paid to the participating lender 30 days after the loan is reviewed by the commissioner. If the participating lender elects to receive the first half payment at a date later than 30 days after the loan is reviewed by the commissioner, the commissioner shall make the payment on the date requested. The balance of the interest rate buy-down payment must be paid to the participating lender not more than 30 days after the request for final payment is received.

#### **Sec. 5. FARMER APPLICATION FOR INTEREST RATE BUY-DOWN.**

A participating lender must receive and evaluate loan applications from any farmer who has transacted farm-related borrowing with the lender within the prior three years or from a farmer who has not previously established farm-related borrowing or whose previous lender is no longer in the business of making farm-related loans. The participating lender may use criteria beyond

Changes or additions are indicated by underline, deletions by ~~strikeout~~.

those in section 2 in determining whether to make a farm operating loan to a farmer.

**Sec. 6. APPLICATION BY PARTICIPATING LENDERS.**

In order to receive interest rate buy-down payments from the state, a participating lender must submit to the commissioner a properly completed application form for each farm operating loan eligible for interest rate buy-down payments.

**Sec. 7. MAXIMUM INTEREST RATE.**

To qualify for interest rate buy-down payments, a participating lender must offer to make a farm operating loan to an eligible borrower at a rate of interest equivalent to that offered to other farmers having similar security and financial status but in no case may the interest rate exceed the current commissioner's interest index. The commissioner may use appropriate means to verify that the operating loan interest rate available to an eligible borrower is substantially the same as that available to other borrowers.

**Sec. 8. STATE CONTRIBUTION TO INTEREST BUY-DOWN.**

As provided in section 4, subdivision 6, the commissioner shall pay to a participating lender for the first \$100,000 of a farm operating loan made to an eligible borrower an amount equivalent to 37.5 percent of the contract interest to be paid during the term of the farm operating loan.

**Sec. 9. LENDER CONTRIBUTION TO INTEREST BUY-DOWN.**

A participating lender must provide a reduction in interest rate for the first \$100,000 of a farm operating loan made to an eligible borrower in an amount equivalent to 12.5 percent of the contract interest rate to be paid during the term of the farm operating loan.

**Sec. 10. EXISTING RESTRUCTURING PROGRAM; DEFINITIONS.**

Subdivision 1. APPLICABILITY. The definitions in this section apply to sections 10 to 12.

Subd. 2. CLASSIFIED FARM LOAN. "Classified farm loan" means a farm loan that the lender determines to have a substantial risk of nonpayment, so that the lender is likely to sustain some loss if the borrower's paying capacity, net worth, or collateral is not improved. The loan need not already have been classified by a bank examiner.

Subd. 3. COMMISSIONER. "Commissioner" means the commissioner of commerce.

Subd. 4. COMMISSIONER'S INTEREST INDEX. "Commissioner's interest index" means an interest rate that is 2.3 percent above the current lending

Changes or additions are indicated by underline, deletions by ~~strikeout~~.

rates of the federal intermediate credit bank to production credit associations as certified each month by the commissioner.

Subd. 5. FARMER. "Farmer" means a state resident individual, or a domestic family farm corporation defined in Minnesota Statutes, section 500.24, engaged in the business of farming property in this state.

Subd. 6. FARMERS HOME ADMINISTRATION. "Farmers home administration" means the farmers home administration of the United States Department of Agriculture.

Subd. 7. FARM LOAN. "Farm loan" means a loan for operating expenses or the purchase of property for a farm business.

Subd. 8. LENDER. "Lender" means a bank, savings and loan association, or credit union chartered by the state or federal government, a farm credit system lender, and the Federal Deposit Insurance Corporation.

#### Sec. 11. QUALIFICATION OF LENDERS.

(a) To qualify for an interest payment under sections 10 to 12, a lender must first sign an agreement with the commissioner to follow the guidelines.

(b) A lender may not foreclose on a farm loan of a farmer who has had a loan application submitted to the farmers home administration under section 12 until (1) the lender certifies to the commissioner that the farmer's loans have been submitted to the farmers home administration for debt restructuring and that the loan debt restructuring has been approved or denied, or (2) 90 days have expired, whichever is earlier.

(c) The commissioner may not make an interest payment to a lender for a loan under sections 10 to 12, if the lender has foreclosed the loan.

#### Sec. 12. INTEREST PAYMENT PROGRAM ON EXISTING FARM LOANS.

Subdivision 1. COMMISSIONER PAYS INTEREST. The commissioner shall pay the interest attributable to the first 60 days of a 120-day period, on the first \$25,000 of operating farm loans and the first \$25,000 of ownership farm loans of each borrower submitted by a lender that signs an agreement under section 11 to the farmers home administration for loan guarantees and debt restructuring.

Subd. 2. INTEREST. The interest to be paid is the amount that becomes attributable to the first 60-day period after the lender signs the agreement with the commissioner under section 11. The amount to be paid is determined by the loan agreement between the lender and the borrower.

Subd. 3. CLASSIFIED FARM LOAN REVIEW. During the first 60 days of the 120-day period after the agreement with the commissioner in section 11 is signed, the lender must review all classified farm loans and determine which farm loans the lender will submit to the farmers home administration for loan guarantees and debt restructuring.

Changes or additions are indicated by underline, deletions by ~~strikeout~~.

**Subd. 4. LENDER-BORROWER AGREEMENT.** For each farm loan that the lender submits to the farmers home administration for loan guarantees and debt restructuring, the lender and the borrower of the farm loan must sign an agreement. The agreement must:

(1) state that the lender has agreed with the commissioner not to foreclose on farm loans submitted, as specified in section 11;

(2) state that the commissioner will pay the interest attributable to the eligible portion of the farm loan submitted to the farmers home administration for the first 60 days of the 120-day period if the lender qualifies for state interest payment;

(3) state that the borrower is not liable for interest paid by the commissioner;

(4) provide that if the lender qualifies for state interest payments, the lender will assume responsibility for the interest attributable to the eligible portion of the farm loan submitted and the borrower is not liable for the interest except as provided in clause (5); and

(5) provide that if the borrower agrees to have the farm loan submitted and the farmers home administration guarantees the loan, the lender may add the interest attributable to the second 60 days of the period to the principal of the borrower's farm loan.

**Subd. 5. PAYMENT APPLICATION.** The lender must apply to the commissioner for the 60-day state interest payment on a farm loan that is submitted to the farmers home administration. The lender must give the commissioner evidence of the farm loan submitted to the farmers home administration guaranteed loan program and application for the farmers home administration approved lenders program. A lender that complies with this section is qualified to receive payment from the commissioner.

### Sec. 13. ELIGIBLE FARM OPERATING LOANS.

Notwithstanding Laws 1985, chapter 4, as amended by Laws 1985, chapter 114, a farm operating loan due and payable by April 1, 1986, and is otherwise eligible for the state interest payment and the commissioner of commerce shall make the payment if the loan was submitted by December 31, 1985.

### Sec. 14. EFFECTIVE DATE.

This article is effective the day following final enactment.

Changes or additions are indicated by underline, deletions by ~~strikeout~~.

**ARTICLE 24****TANK SAFETY**

Section 1. Minnesota Statutes 1985 Supplement, section 221.033, subdivision 3, is amended to read:

Subd. 3. **VARIANCE, RULES.** The commissioner shall adopt rules which provide a procedure for granting a variance from those regulations adopted under subdivision 1 which prescribe specifications for tank motor vehicles used to transport gasoline. The variance may be granted only to ~~persons who transport gasoline in~~ for tank motor vehicles with a capacity of 3,000 gallons or less which are used to transport gasoline and were designed and manufactured between 1950 and 1975 ~~according to American society of mechanical engineers specifications in effect at the time of manufacture to transport petroleum products.~~ The commissioner shall prescribe alternative requirements to assure the safety of the tank motor vehicles operated under the variance, and shall register each tank motor vehicle operated under the variance.

---

**ARTICLE 25****PRIORITY LIEN STUDY****Section 1. PRIORITY LIEN STUDY.**

The chairs of the house agriculture committee and the senate agriculture and natural resources committee shall each appoint eight members to a joint interim legislative committee to study priority liens on agricultural products and the impact of restricting short sales of raw agricultural products. At least three members from each political party must be represented by each house. The joint committee shall submit a written report to the legislature by December 15, 1986.

**Sec. 2. EFFECTIVE DATE.**

This article is effective the day after final enactment.

---

**ARTICLE 26****SOIL AND WATER PURIFICATION TEST****Section. 1. [116.54] INJECTION OF CERTAIN MATERIALS.**

Changes or additions are indicated by underline, deletions by ~~strikeout~~.



Subdivision 1. POLLUTION CONTROL AGENCY TO AUTHORIZE, MONITOR. The pollution control agency shall authorize and may monitor not less than one or more than five projects to test the controlled injection of oxygen-bearing materials and appropriate microbiological systems into sites of water or soil contamination. An applicant for authority to conduct one of the tests shall describe to the agency plans for the test injection project including at least the following:

(1) the quantity and type of chemicals and microbes to be used in the injection project;

(2) the frequency and planned duration of the injections;

(3) test monitoring and evaluation equipment that will be maintained at the site; and

(4) procedures for recording, analyzing, and maintaining information on the injection project.

The applicant shall make available to the agency all significant test results from the injection project. Trade secret information, as defined in section 13.37, made available by an applicant is classified as nonpublic data, pursuant to section 13.02, subdivision 9, or private data on individuals, pursuant to section 13.02, subdivision 12.

**Sec. 2. EFFECTIVE DATE.**

This article is effective the day following final enactment.

---

**ARTICLE 27**

**DITCH CONSERVATION**

Section 1. Minnesota Statutes 1985 Supplement, section 160.232, is amended to read:

**160.232 MOWING DITCHES OUTSIDE CITIES.**

Road authorities may not mow or till the right-of-way of a highway located outside of a home rule charter or statutory city except as allowed in this section and section 160.23.

(a) On any highway, the first eight feet away from the road surface, or shoulder if one exists, may be mowed at any time.

(b) An entire right-of-way may be mowed after July 31. From August 31 to the following July 31, the entire right-of-way may only be mowed if necessary for safety reasons, and may not be mowed to a height of less than 12 inches.

(c) A right-of-way may be mowed as necessary to maintain sight distance for

Changes or additions are indicated by underline, deletions by ~~strikeout~~.

safety and may be mowed at other times under rules of the commissioner, or by resolution of a local road authority.

(d) A right-of-way may be mowed, burned, or tilled to prepare the right-of-way for the establishment of permanent vegetative cover or for prairie vegetation management.

Sec. 2. Minnesota Statutes 1984, section 160.27, subdivision 5, is amended to read:

Subd. 5. **MISDEMEANORS.** Except for the actions of the road authorities, their agents, employees, contractors, and utilities in carrying out their duties imposed by law or contract, and except as herein provided, it shall be unlawful to:

- (1) Obstruct any highway or deposit snow or ice thereon;
- (2) Plow or perform any other detrimental operation within the road right of way except in the preparation of the land for planting ~~a perennial hay crop, and the harvesting of said crop~~ permanent vegetative cover;
- (3) Erect a fence on the right of way of a trunk highway, county state-aid highway, county highway or town road, except to erect a lane fence to the ends of a livestock pass;
- (4) Dig any holes in any highway; except to locate markers placed to identify sectional corner positions and private boundary corners.
- (5) Remove any earth, gravel or rock from any highway;
- (6) Obstruct any ditch draining any highway or drain any noisome materials into any ditch;
- (7) Place or maintain any building or structure within the limits of any highway;
- (8) Place or maintain any advertisement within the limits of any highway;
- (9) Paint, print, place, or affix any advertisement or any object within the limits of any highway;
- (10) Deface, mar, damage, or tamper with any structure, work, material, equipment, tools, signs, markers, signals, paving, guardrails, drains, or any other highway appurtenance on or along any highway;
- (11) Remove, injure, displace, or destroy right of way markers, or reference or witness monuments, or markers placed to preserve section or quarter section corners;
- (12) Improperly place or fail to place warning signs and detour signs as provided by law;

Changes or additions are indicated by underline, deletions by ~~strikeout~~.

(13) Drive over, through, or around any barricade, fence, or obstruction erected for the purpose of preventing traffic from passing over a portion of a highway closed to public travel or to remove, deface, or damage any such barricade, fence, or obstruction.

Violations hereof shall be prosecuted by the county attorney of the county where the violations occur. Any person convicted of such violations shall be guilty of a misdemeanor.

Sec. 3. **REPORT.**

Subdivision 1. INVESTIGATION. The state soil and water conservation board shall determine the length and area of drainage ditches that are required to be planted with permanent grass under section 106A.021 and prior law, and the enforcement actions taken by the commissioner of natural resources or enforcement personnel to maintain the grass strips.

Subd. 2. COOPERATION. The commissioner of transportation, county highway engineers, the road authorities, drainage authorities, and county auditors shall cooperate with the state soil and water conservation board in conducting the investigations.

Subd. 3. REPORT TO LEGISLATURE. The state soil and water conservation board shall prepare a report on the information collected under subdivision 1 and submit it to the legislature by January 15, 1987.

Sec. 4. **EFFECTIVE DATE.**

This article is effective the day after final enactment.

---

ARTICLE 28

AGRICULTURAL LAND PRESERVATION

Section 1. [40A.151] MINNESOTA CONSERVATION FUND.

Subdivision 1. ESTABLISHMENT. The Minnesota conservation fund is established as an account in the state treasury. Money from counties under section 2 must be deposited in the state treasury and credited to the Minnesota conservation fund account.

Subd. 2. USE OF FUND. Money in the fund is annually appropriated to the commissioner of revenue to reimburse taxing jurisdictions as provided in section 3 and section 473H.10.

Sec. 2. [40A.152] COUNTY CONSERVATION FEE; ACCOUNT.

Subdivision 1. FEE. A county that has allowed exclusive agricultural zones to be created under chapter 40A, that has designated lands eligible for agricultural preserves under section 473H.04, or that has elected to become an agricultural land preservation pilot county, shall impose an additional fee of \$3 per transaction on the recording or registration of a mortgage subject to the tax

Changes or additions are indicated by underline, deletions by ~~strikeout~~.

under section 287.05 and an additional \$3 on the recording or registration of a deed subject to the tax under section 287.21. One-half of the fee must be deposited in a special conservation account to be created in the county general revenue fund and one-half must be transferred to the commissioner of revenue for deposit in the state treasury and credited to the Minnesota conservation fund.

Subd. 2. USE OF ACCOUNT. Money from the county conservation account must be spent by the county to reimburse the county and taxing jurisdictions within the county for revenue lost under the conservation tax credit under section 3 or the valuation of agricultural preserves under section 473H.10. Money remaining in the account after those payments may be spent for the following purposes:

- (1) agricultural land preservation and conservation planning and implementation of official controls under this chapter or chapter 473H;
- (2) soil conservation activities and enforcement of soil loss ordinances;
- (3) incentives for landowners who create exclusive agricultural use zones;
- (4) payments to municipalities within the county for the purposes of clauses (1) to (3).

Subd. 3. TRANSFER TO STATE FUND. Money in the county conservation account that is not encumbered by the county within one year of deposit in the account must be transferred to the commissioner of revenue for deposit in the Minnesota conservation fund.

### **Sec. 3. [273.119] CONSERVATION TAX CREDIT.**

Subdivision 1. ELIGIBILITY; AMOUNT OF CREDIT. Land located in an exclusive agricultural use zone created under chapter 40A is eligible for a property tax credit of \$1.50 per acre. To qualify for the tax credit in any year the owner shall file with the assessor by June 30 of that year a record of the restrictive covenant received by the owner under section 40A.10, subdivision 3. An owner who has given notice of termination of the exclusive agricultural use zone under section 40A.11, subdivision 2, is not eligible for the credit. The assessor shall indicate the amount of the property tax reduction on the property tax statement of each taxpayer receiving a credit under this section. The credit paid pursuant to this section shall be deducted from the tax due on the property before computation of the homestead credit paid pursuant to section 273.13 and the state agricultural credit paid pursuant to section 124.2137.

Subd. 2. REIMBURSEMENT FOR LOST REVENUE. The county may transfer money from the county conservation account created in section 2 to the county revenue fund to reimburse the fund for the cost of the property tax credit. The county auditor shall certify to the commissioner of revenue on or before June 1 of each year the amount of tax lost to the county from the

Changes or additions are indicated by underline, deletions by ~~strikeout~~.

property tax credit under subdivision 1 and the extent that the tax lost exceeds funds available in the county conservation account. On or before July 15 of each year, the commissioner shall reimburse the county from the Minnesota conservation fund under section 1 for the taxes lost in excess of the county account.

Sec. 4. Minnesota Statutes 1985 Supplement, section 473H.10, subdivision 3, is amended to read:

Subd. 3. **COMPUTATION OF TAX; STATE REIMBURSEMENT.** (a) After the assessor has determined the market value of all land valued according to subdivision 2, he shall compute the assessed value of those properties by applying the appropriate classification percentages. When the county auditor computes the rate of tax pursuant to section 275.08, he shall include the assessed value of land as provided in this clause.

(b) The county auditor shall compute the tax on lands valued according to subdivision 2 and nonresidential buildings by multiplying the assessed value times the total rate of tax for all purposes as provided in clause (a).

(c) The county auditor shall then compute the maximum ad valorem property tax on lands valued according to subdivision 2 and nonresidential buildings by multiplying the assessed value times 105 percent of the previous year's statewide average mill rate levied on property located within townships for all purposes.

(d) The tax due and payable by the owner of preserve land valued according to subdivision 2 and nonresidential buildings will be the amount determined in clause (b) or (c), whichever is less. If the gross tax in clause (c) is less than the gross tax in clause (b), the state shall reimburse the taxing jurisdictions for the amount of difference. Residential buildings shall continue to be valued and classified according to the provisions of sections 273.11 and 273.13, as they would be in the absence of this section, and the tax on those buildings shall not be subject to the limitation contained in this clause.

The county may transfer money from the county conservation account created in section 2 to the county revenue fund to reimburse the fund for the tax lost as a result of this subdivision or to pay taxing jurisdictions within the county for the tax lost. The county auditor shall certify to the commissioner of revenue on or before June 1 the total amount of tax lost to the county and taxing jurisdictions located within his county as a result of this subdivision and the extent that the tax lost exceeds funds available in the county conservation account. Payments shall be made by the state as provided in section 273.13, subdivision 15a to each of the affected taxing jurisdictions if the county conservation account is insufficient to make the reimbursement. There is annually appropriated from the ~~general fund in the state treasury~~ Minnesota conservation fund under section 1 to the commissioner of revenue an amount sufficient to make the reimbursement provided in this subdivision.

Changes or additions are indicated by underline, deletions by ~~strikeout~~.

## Sec. 5. EFFECTIVE DATE.

Section 3 is effective for taxes levied in 1987 and payable in 1988 and after.  
Section 4 is effective June 1, 1987.

## ARTICLE 29

## APPROPRIATION

## Section 1. APPROPRIATIONS.

Subdivision 1. LEGAL ASSISTANCE PROGRAM. \$650,000 is appropriated from the general fund to the supreme court for the purposes of article 3, for the biennium ending June 30, 1987.

Subd. 2. MEDIATION. \$360,000 is appropriated from the general fund to the University of Minnesota agricultural extension service for purposes of article 1 for the biennium ending June 30, 1987.

Subd. 3. INTEREST RATE BUY-DOWN. \$5,000,000 is appropriated from the general fund to the commissioner of commerce for purposes of article 23 and \$75,000 of it may be spent for administrative expenses related to article 23 for the biennium ending June 30, 1987.

Subd. 4. FAMILY FARM ADVOCATE PROGRAM. \$300,000 is appropriated from the general fund to the commissioner of agriculture for the farm advocates program, for the biennium ending June 30, 1987.

Subd. 5. DATA COLLECTION TASK FORCE. \$10,500 is appropriated from the general fund to the legislative advisory commission to fund the activities of the agricultural data collection task force pursuant to article 11.

Subd. 6. FAMILY FARM SECURITY ACT ADDITIONAL INTEREST PAYMENTS. \$740,000 is appropriated to the commissioner of agriculture from the general fund for the biennium ending June 30, 1987 in order to make the payments required by article 8.

Subd. 7. AVTI AND UNIVERSITY OF MINNESOTA TECHNICAL COLLEGES TUITION SUPPLEMENT. \$1,350,000 is appropriated from the general fund to the state board of vocational technical education, for the biennium ending June 30, 1987, for the following services in proportions deemed necessary by the board to the agricultural vocational technical institutes and the University of Minnesota two-year technical colleges for:

Changes or additions are indicated by underline, deletions by ~~strikeout~~.

(1) reduced tuition costs for existing farm business management and small business management programs; and

(2) additional farm business management programs and workshops.

Subd. 8. AGRICULTURAL EXTENSION SERVICE PROJECTS. \$1,250,000 is appropriated from the general fund to the board of regents of the University of Minnesota, to be available until June 30, 1987, for the following agricultural extension service projects: voluntary mediation training, project support program, farm financial management program, family financial and stress management education, community economy development education, information exchange for sustainable farming methods including methods that decrease per unit cost of production and increase net income, and forest product marketing.

Subd. 9. MINNESOTA RURAL FINANCE ADMINISTRATION. \$4,802,000 is appropriated to the commissioner of finance from the general fund for purposes of article 6. Of this amount, \$4,564,000 is exclusively for debt service of bonds issued under article 6, and \$238,000 is for administrative costs. The complement of the department is increased by 5.0 positions. If the program is found to be unconstitutional, the balance of this appropriation shall be transferred to the interest buy-down program in article 23.

Subd. 10. "FINPAC." \$72,500 is appropriated from the general fund to the commissioner of finance to be available for grants to the Farmers Home Administration to continue the administration's FINPAC capability on the University of Minnesota's mainframe computer and to upgrade the administration's "FINPAC" farm financial analysis software for micro computers as needed to establish compatibility with "FINPAC" analyses prepared by county extension agents or adult farm management instructors. This appropriation is for the biennium ending June 30, 1987.

Subd. 11. AGRICULTURAL EXPERIMENT STATION RESEARCH PROJECTS. \$250,000 is appropriated from the general fund to the board of regents of the University of Minnesota for agricultural experiment station research projects relating to water quality problems associated with the application of chemical inputs in production agriculture, for the biennium ending June 30, 1987.

Subd. 12. AGRICULTURAL EXTENSION SERVICE RETRENCHMENT. \$115,000 is appropriated from the general fund to the board of regents of the University of Minnesota for the Minnesota extension service to offset scheduled reduction of county extension agents. It is requested that consideration be made for those counties with the greatest need for mediation services. This appropriation is for the biennium ending June 30, 1987.

Subd. 13. SWEET SORGHUM RESEARCH. \$60,000 is appropriated to the state board of vocational technical education for continuation of a demonstration project at the Mankato vocational technical institute involving butanol and ethanol production from sweet sorghum, for the biennium ending June 30, 1987.

Changes or additions are indicated by underline, deletions by ~~strikeout~~.

Subd. 14. WILD RICE RESEARCH. \$40,000 is appropriated from the general fund to the University of Minnesota agricultural experimental stations for wild rice research to be available until June 30, 1987, as follows:

- (a) for elimination of volunteer seeds \$10,000
- (b) to develop plants resistant to leaf diseases 10,000
- (c) to develop higher yielding wild rice 10,000
- (d) acquisition and preparation of a peat research site 5,000
- (e) approving herbicides and pesticides that will not affect food value of rice 5,000

Subd. 15. FARM LAND CAPITAL GAIN EXCLUSION. \$1,000,000 is appropriated from the general fund to the commissioner of revenue to make the payments required in article 21, to be available for the biennium ending June 30, 1987.

Approved March 21, 1986

**CHAPTER 399—S.F.No. 1793**

*An act relating to public administration; authorizing home rule charter or statutory cities to establish economic development districts; granting powers to cities and authorities; permitting Aitkin county to levy a tax for development purposes; permitting the city of Breezy Point to increase its levy; providing for certain tax refunds in Aitkin county; permitting the establishment and providing for the powers and duties of economic development authorities; permitting an agreement to finance library construction in the city of McGregor; permitting a land exchange; permitting the establishment of special service districts in the cities of Cambridge and Lindstrom; amending Minnesota Statutes 1984, sections 116D.04, subdivision 1a; 117.521, subdivision 3; 272.01, subdivision 2; 273.72; 273.73, subdivisions 2 and 8; 273.86, subdivision 1; 355.11, subdivision 5; 375.09; 375.18, subdivision 7; 375A.11, subdivision 3; 375A.12, subdivisions 3 and 4; 383C.17; 462C.02, subdivisions 6 and 9; 465.72; 471.88, subdivisions 1, 9, and 11; 474.02, subdivision 3; and 474.16, subdivision 2; Minnesota Statutes 1985 Supplement, sections 273.75, subdivision 4; 353.01, subdivision 2a; 386.77; 395.08; 462C.12, subdivision 2; and 472B.04; proposing coding for new law in Minnesota Statutes, chapters 375 and 458; and proposing coding for new law as Minnesota Statutes, chapter 458C; repealing Minnesota Statutes 1984, sections 394.01; 394.02; 394.03; 394.04; and 394.05.*

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

Changes or additions are indicated by underline, deletions by ~~strikeout~~.