

CHAPTER 386—S.F.No. 1

An act relating to economic development; rural development; renaming and providing powers to the agricultural resource loan guaranty board; establishing a mineral resources program; establishing duties for the community development division in the department of energy and economic development; transferring the independent wastewater treatment grant program from the pollution control agency to the Minnesota public finance authority; changing the membership of the Minnesota job skills partnership board; establishing the rural development board; establishing the challenge grant program; establishing the Greater Minnesota Corporation; establishing the state supplemental education grant program; establishing the Minnesota public finance authority; providing a program for revitalization of the cities of St. Paul and Minneapolis; creating a program for funding economic development projects in the taconite tax relief area; permitting investment of earnings of the northeast Minnesota economic protection trust in venture capital enterprises; appropriating money; amending Minnesota Statutes 1986, sections 15.039, by adding a subdivision; 16A.80, subdivision 2a; 41A.01; 41A.02, subdivisions 3, 4, 6, 11, and by adding subdivisions; 41A.04, subdivision 1; 41A.05, subdivisions 1 and 2; 41A.08; 116.16, subdivisions 2, 4, 5, 9, and by adding subdivisions; 116.18, subdivisions 2a and 3a; 116J.36, subdivisions 2, 3b, 3c, 8, 8a, and 11; 116J.37, subdivision 1, and by adding a subdivision; 116J.955, subdivisions 1 and 2; 116L.02; 116L.03, subdivisions 1, 2, 5, and 7; 281.17; 298.292; 298.296, subdivision 2; 429.061, subdivision 2; 462.445, subdivision 1; and Laws 1983, chapter 334, section 7; proposing coding for new law in Minnesota Statutes, chapters 41A; 93; 116; 116J; 116L; and 136A; proposing coding for new law as Minnesota Statutes, chapters 116N; 116P; and 446A; repealing Minnesota Statutes 1986, sections 116.167; 116J.951; 116J.961; 116J.965; 116L.03, subdivision 6; 116M.01; 116M.02; 116M.03; 116M.04; 116M.05; 116M.06; 116M.07; 116M.08; 116M.09; 116M.10; 116M.11; 116M.12; 116M.13; 472.11, subdivisions 3, 5, 6, 7, 8, and 9; 472.12, subdivisions 2, 3, and 4; 472.125; 472.13, subdivisions 2, 3, and 4; and Laws 1969, chapters 833 and 984.

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

ARTICLE 1**RURAL DEVELOPMENT BOARD**

Section 1. Minnesota Statutes 1986, section 116J.955, subdivision 1, is amended to read:

116J.955 RURAL REHABILITATION REVOLVING FUND.

Subdivision 1. **ESTABLISHMENT.** The rural rehabilitation revolving fund is established as an account in the state treasury. The money transferred to the

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state as a result of liquidating the rural rehabilitation corporation trust, and money derived from transfer of the trust to the state, must be credited to the rural rehabilitation revolving fund. The principal amount of the rural rehabilitation revolving fund, ~~\$9,300,000, may not be spent and~~ must be invested by the state investment board. The income attributable to investment of the principal is appropriated to the commissioner for the ~~activities~~ purposes of the rural development council this article.

Sec. 2. Minnesota Statutes 1986, section 116J.955, subdivision 2, is amended to read:

Subd. 2. **EXPENDITURE OF INVESTMENT INCOME FUND.** The commissioner may only use the income from the investment of the rural rehabilitation revolving fund for the purposes that are allowed under the Minnesota rural rehabilitation corporation's charter and agreement with the United States Secretary of Agriculture as provided in Public Law Number 499, 81st Congress, enacted May 3, 1950 and as allowed under section 116J.961, subdivision 8 this article. Not more than three percent of the book value of the Minnesota rural rehabilitation corporation's assets may be used for administrative purposes in a year without approval of the United States Secretary of Agriculture. The commissioner may create separate accounts within the fund for use in accordance with the fund's purposes.

Sec. 3. **[116N.01] DEFINITIONS.**

Subdivision 1. TERMS. For the purposes of sections 3 to 10, the following terms have the meaning given them.

Subd. 2. BOARD. "Board" means the rural development board.

Subd. 3. COMMISSIONER. "Commissioner" means the commissioner of energy and economic development.

Subd. 4. LOCAL GOVERNMENTAL UNIT. "Local governmental unit" means a home rule charter or statutory city when the project is located in an incorporated area, a county when the project is located in an unincorporated area, or an American Indian tribal council when the project is located within a federally recognized American Indian reservation or community.

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Subd. 5. LOW INCOME. "Low income" means equal to or below the nonmetropolitan median household income.

Subd. 6. PRINCIPALLY. "Principally" means more than half.

Subd. 7. REGIONAL ORGANIZATION. "Regional organization" or "organization" means an organization selected under section 10, subdivision 3.

Subd. 8. RURAL. "Rural" means the area of Minnesota located outside of the metropolitan area as defined in section 473.121, subdivision 2.

Sec. 4. [116N.02] RURAL DEVELOPMENT BOARD.

Subdivision 1. MEMBERSHIP. The rural development board consists of the commissioner of energy and economic development, the commissioner of jobs and training, the commissioner of agriculture, the president of the Greater Minnesota Corporation board, the state director of vocational technical education, the chancellor of the state university board, the chancellor of the state board for community colleges, the president of the University of Minnesota or the president's designee, the chair of the regional advisory committee, and six members from the general public appointed by the governor, with at least one public member from each of the regions established in section 10. Two of the public members must be local elected officials. Two of the public members must be members of farm organizations. One public member must represent the interests of business, and one public member must represent the interests of organized labor.

Subd. 2. MEMBERSHIP TERMS. The membership terms, compensation, removal, and filling of vacancies of public members of the board are as provided in section 15.0575.

Subd. 3. CHAIR; OTHER OFFICERS. The commissioner of energy and economic development shall serve as chair of the board. The board may elect other officers as necessary from its members.

Subd. 4. ADVISORY TASK FORCES. The board may establish advisory task forces under section 15.014 to advise or assist the board in identifying and working with rural development issues.

Subd. 5. STAFF. The commissioner of energy and economic development shall provide staff, consultant support, materials, and administrative services necessary for the board's activities. The services must include personnel, budget, payroll, and contract administration. The board may request staff support from other agencies of state government as needed for the execution of the responsibilities of the board, and the other agencies shall furnish the staff support upon request.

Subd. 6. FUND ALLOCATION. The commissioner shall allocate \$6,000,000 from the rural rehabilitation revolving fund to be used for the challenge grant program.

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Sec. 5. [116N.03] POWERS.

Subdivision 1. CONTRACTS. The board may enter into contracts and grant agreements necessary to carry out its responsibilities.

Subd. 2. GIFTS; GRANTS. The board may apply for, accept, and disburse gifts, grants, loans, or other property from the United States, the state, private foundations, or any other source. It may enter into an agreement required for the gifts, grants, or loans and may hold, use, and dispose of its assets in accordance with the terms of the gift, grant, loan, or agreement. Money received by the board under this subdivision must be deposited in the state treasury. The amount deposited is appropriated to the board to carry out its duties.

Sec. 6. [116N.04] DUTIES.

Subdivision 1. GENERAL DUTIES. The board shall investigate and evaluate new methods to enhance rural development, particularly methods relating to economic diversification through private enterprises, including technologically innovative industries, value-added manufacturing, agriprocessing, information industries, and agricultural marketing.

Subd. 2. ESTABLISH PROGRAM. The board shall establish a rural rehabilitation pilot project program to award up to \$500,000 from the rural rehabilitation revolving fund in grants to public, nonprofit, or private organizations to support farm-related pilot projects for rural development. Projects must be designed to principally benefit low-income persons.

Subd. 3. TECHNICAL ASSISTANCE. The board shall provide technical assistance and rural development information services to state agencies, regional agencies, special districts, local governments, and the public.

Subd. 4. BUDGET. The board shall adopt an annual budget and work program and a biennial budget.

Subd. 5. LEGISLATIVE REPORT. The board shall submit a report to the legislature by January 31 of each year. The report must include a review of rural development in the state, a review of the regional advisory committee activities, an accounting of loans made under the challenge grant program, an evaluation of rural development initiatives, and recommendations concerning state support for rural development.

Sec. 7. [116N.05] REGIONAL ADVISORY COMMITTEE.

Subdivision 1. MEMBERS. The regional advisory committee consists of one representative from each of the state's development regions. Members representing the state's development regions must be selected by a majority vote of the regional development commissions. In regions that have dissolved their development commissions, members must be selected by a majority vote of the chairs of the respective county boards of commissioners in the region. Members must reside within the region they represent. The county boards of commission-

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ers and the regional development commissions selecting members are encouraged to give preference to persons that hold an elected office. The county boards of commissioners and the regional development commissions shall give public notice of vacancies on the committee and make a selection of a member from applications received for the positions.

Subd. 2. TERMS; COMPENSATION; OFFICERS. The terms, compensation, and expiration of the committee and its members are as provided in section 15.059. A member may not serve more than two consecutive terms. The regional advisory committee shall elect a chair and may elect a vice-chair and other officers as is necessary from its members.

Subd. 3. DUTIES. (a) The regional advisory committee shall:

(1) administer the rural rehabilitation pilot project program established in section 6, including the establishment of grant eligibility criteria, solicitation and review of grant applications, and determination of projects to be funded;

(2) develop priorities for state projects and activities related to rural development;

(3) advise the rural development board regarding the challenge grant program; and

(4) coordinate the plans and programs of the regional development commissions that have an effect upon the activities of the rural development board.

(b) The commissioner shall make agreements or contracts to distribute grant funds to projects selected by the regional advisory committee.

Sec. 8. [116N.06] RURAL INVESTMENT GUIDE.

The board, after appropriate study and public hearings as necessary, shall adopt a comprehensive state rural investment guide consisting of policy statements, objectives, standards, and program criteria to guide state agencies in establishing and implementing programs relating to rural development. The guide must recognize the community and economic needs, the food and agricultural policy, and the resources of rural Minnesota, and provide a plan to coordinate and allocate public and private resources to the rural areas of the state. The board shall submit the guide to the appropriate committees of the legislature.

Sec. 9. [116N.07] BOARD REVIEW.

The board may require state agencies to submit for review any state program relating to rural development. The board may comment on the program and may recommend changes consistent with the rural investment guide.

Sec. 10. [116N.08] CHALLENGE GRANT PROGRAM.

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Subdivision 1. ORGANIZATION. The board shall make challenge grants to regional organizations to encourage private investment, to provide jobs for low-income persons, and to promote economic development in the rural areas of the state.

Subd. 2. FUNDING REGIONS. The board shall divide the state outside of the metropolitan area as defined in section 473.121, subdivision 2, into six regions. A region's boundaries must be coterminous with the boundaries of one or more of the development regions established under section 462.385. The board shall designate up to \$1,000,000 for each region, to be awarded over a period of three years. The money designated to each region must be used for revolving loans authorized in this section.

Subd. 3. SELECTION OF ORGANIZATIONS TO RECEIVE CHALLENGE GRANTS. The board shall select at least one organization for each region to receive the challenge grants and shall enter into grant agreements with the organizations. An organization must be a nonprofit corporation and must demonstrate that:

(1) its board of directors includes citizens experienced in rural development, representatives of the regional development commissions, and representatives from all geographic areas in the region;

(2) it has the technical skills to analyze projects;

(3) it is familiar with other available public and private funding sources and economic development programs;

(4) it can initiate and implement economic development projects; and

(5) it can establish and administer a revolving loan fund.

Subd. 4. REVOLVING LOAN FUND. A regional organization shall establish a board certified revolving loan fund to provide loans to new and expanding businesses in rural Minnesota to promote economic development. Eligible business enterprises include technologically innovative industries, value-added manufacturing, agriprocessing, information industries, and agricultural marketing. Loan applications given preliminary approval by the organization must be forwarded to the commissioner for final approval. The amount of state money allocated for each loan is appropriated from the rural rehabilitation revolving fund established in section 116J.955 to the organization's regional revolving loan fund when the commissioner gives final approval for each loan. The amount of money appropriated from the rural rehabilitation revolving fund may not exceed 50 percent for each loan. The amount of nonpublic money must equal at least 50 percent for each loan.

Subd. 5. LOAN CRITERIA. The following criteria apply to loans made under the challenge grant program:

(a) Loans must be made to businesses that are not likely to undertake a

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project for which loans are sought without assistance from the challenge grant program.

(b) A loan must be used for a project designed principally to benefit low-income persons through the creation of job opportunities for them. Among loan applicants, priority must be given on the basis of the number of permanent jobs created or retained by the project and the proportion of nonstate money leveraged by the revolving loan.

(c) The minimum loan is \$5,000 and the maximum is \$100,000.

(d) With the approval of the commissioner, a loan may be used to provide up to 50 percent of the private investment required to qualify for a grant from the economic recovery fund.

(e) A loan may not exceed 50 percent of the total cost of an individual project.

(f) A loan may not be used for a retail development project.

(g) A business applying for a loan must be sponsored by a resolution of the governing body of the local governmental unit within whose jurisdiction the project is located.

Subd. 6. REVOLVING FUND ADMINISTRATION. (a) The board shall establish a minimum interest rate for loans to ensure that necessary management costs are covered.

(b) Loan repayment amounts equal to one-half of the principal and interest must be deposited in the rural rehabilitation revolving fund for challenge grants to the region from which the money was originally designated. The remaining amount of the loan repayment may be deposited in the regional revolving loan fund for further distribution by the regional organization, consistent with the loan criteria specified in subdivisions 4 and 5.

(c) The first \$1,000,000 of revolving loans for each region must be matched by nonstate sources. The matching requirement does not apply to loans made under subdivision 6, clause (b).

(d) The first \$1,000,000 of revolving loans for each region must be matched by nonstate sources. The matching requirement does not apply to loans made under subdivision 6, clause (b).

(e) Administrative expenses of each organization may be paid out of the interest earned on loans.

Subd. 7. RULES. The board shall adopt rules to implement the duties specified in this section.

Subd. 8. LOCAL GOVERNMENTAL UNIT LOANS. A local government-

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tal unit may receive a loan under this section if the local governmental unit has established a local revolving loan fund and can provide at least an equal match to the loan received from a regional organization. The maximum loan available to a local governmental unit under this section is \$50,000. The money loaned to a local governmental unit by a regional organization must be matched by the local revolving loan fund and used to provide loans to businesses to promote local economic development. One-half of the money loaned to a local governmental unit under this section by a regional organization must be repaid to the rural rehabilitation revolving fund. One-half of the money may be retained by the local governmental unit's revolving loan fund for further distribution by the local governmental unit.

Subd. 9. REGIONAL COOPERATION. An organization that receives a challenge grant shall cooperate with other regional organizations, including regional development commissions, community development corporations, community action agencies, and the Minnesota small business development centers and satellites, in carrying out challenge grant program and technical assistance responsibilities.

Subd. 10. REPORTING REQUIREMENTS. An organization that receives a challenge grant shall:

(1) submit an annual report to the board by February 15 of each year that includes a description of projects supported by the challenge grant program, an account of loans made during the calendar year, the source and amount of money collected and distributed by the challenge grant program, the program's assets and liabilities, and an explanation of administrative expenses; and

(2) provide for an independent annual audit to be performed in accordance with generally accepted accounting practices and auditing standards and submit a copy of each annual audit report to the board.

Sec. 11. RURAL DEVELOPMENT BOARD COMPLEMENT.

The approved complement of the rural development board is six and one-half positions, with six positions in the unclassified service and one-half position in the classified service, one of which is an executive director position.

Sec. 12. FAMILY FARM LOANS.

The participant's interest in a family farm loan guarantee executed before the effective date of this article may be assigned to a new participant.

Sec. 13. REPEALER.

Minnesota Statutes 1986, sections 116J.951; 116J.961; 116J.965; and 116M.05, are repealed.

Sec. 14. APPROPRIATION.

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\$600,000 is appropriated from the economic development fund to the commissioner of energy and economic development to administer programs under the rural development board. \$300,000 is for fiscal year 1988 and \$300,000 is for fiscal year 1989.

\$200,000 is transferred from the economic development fund to the commissioner of energy and economic development to provide grants to the regional organizations selected under section 10, subdivision 3, for technical assistance to businesses in each region. Technical assistance includes providing information to businesses regarding federal, state, and local government economic development programs.

\$1,000,000 is transferred from the general fund to the rural rehabilitation revolving fund, to be used for the challenge grant program.

ARTICLE 2

GREATER MINNESOTA CORPORATION

Section 1. [1160.01] CITATION.

Sections 1 to 10 may be cited as the "Greater Minnesota Corporation act."

Sec. 2. [1160.02] DEFINITIONS.

Subdivision 1. APPLICABILITY. The definitions in this section apply to sections 1 to 15.

Subd. 2. BOARD. "Board" means the board of directors of the Greater Minnesota Corporation.

Subd. 3. CORPORATION. "Corporation" means the Greater Minnesota Corporation.

Subd. 4. FUND. "Fund" means the greater Minnesota fund.

Subd. 5. GREATER MINNESOTA. "Greater Minnesota" means the area of Minnesota located outside of the metropolitan area as defined in section 473.121, subdivision 2.

Sec. 3. [1160.03] CORPORATION; BOARD OF DIRECTORS; POWERS.

Subdivision 1. NAME. The Greater Minnesota Corporation is a public corporation of the state and is not subject to the laws governing a state agency except as provided in this chapter. The business of the corporation must be conducted under the name "Greater Minnesota Corporation."

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Subd. 2. BOARD OF DIRECTORS. The corporation is governed by a board of 11 directors. The term of a director is six years. Vacancies on the board are filled by appointment of the board, subject to the advice and consent of the senate. The board may determine the compensation of its members.

Subd. 3. BYLAWS. The board of directors shall adopt bylaws necessary for the conduct of the business of the corporation, consistent with this chapter.

Subd. 4. PLACES OF BUSINESS. The board shall locate and maintain the corporation's places of business within the state.

Subd. 5. MEETINGS AND ACTIONS OF THE BOARD. The board shall meet at least twice a year and may hold additional meetings upon giving notice in accordance with the bylaws of the corporation. Board meetings are subject to section 471.705, except when data described in subdivision 7 is discussed.

Subd. 6. CLOSED MEETINGS; RECORDING. The board of directors may by a majority vote in a public meeting decide to hold a closed meeting authorized under subdivision 5. The time and place of the closed meeting must be announced at the public meeting. A written roll of members present at the closed meeting must be made available to the public after the closed meeting. The proceedings of a closed meeting must be tape recorded at the expense of the board and must be preserved by the board for two years. The data on the tape is nonpublic data under section 13.02, subdivision 9.

Subd. 7. APPLICATION AND INVESTIGATIVE DATA. The following data is classified as private data with regard to data on individuals under section 13.02, subdivision 12, or as nonpublic data with regard to data not on individuals under section 13.02, subdivision 9, whichever is applicable:

(1) financial data, statistics, and information furnished in connection with assistance or proposed assistance under section 6, including credit reports, financial statements, statements of net worth, income tax returns, either personal or corporate, and any other business and personal financial records; or

(2) security information, trade secret information, or labor relations information, as defined in section 13.37, subdivision 1, disclosed to members of the corporation board or employees of the corporation under section 6.

Subd. 8. CONFLICT OF INTEREST. A director, employee, or officer of the corporation may not participate in or vote on a decision of the board relating to an organization in which the director has either a direct or indirect financial interest.

Subd. 9. CONTRIBUTIONS TO PUBLIC OFFICIALS; DISCLOSURE. Each director shall file a statement with the ethical practices board disclosing the nature, amount, date, and recipient of any contribution made to a public official, political committee, political fund, or political party, as defined in chapter 10A, that:

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(1) was made within the four years preceding appointment to the Greater Minnesota board; and'

(2) was subject to the reporting requirements of chapter 10A.

The statement must be updated annually during the director's term to reflect contributions made to public officials during the appointed director's tenure.

Sec. 4. [1160.04] CORPORATE PERSONNEL.

Subdivision 1. GENERALLY. The board shall appoint and set the compensation for a president, who serves as chief executive officer of the corporation, and who may appoint subordinate officers. The board may designate the president as its general agent. Subject to the control of the board, the president shall employ employees, consultants, and agents the president considers necessary. The staff of the corporation must include individuals knowledgeable in commercial and industrial financing, research and development, economic development, and general fiscal affairs. The board shall define the duties and designate the titles of the employees and agents.

Subd. 2. STATUS OF EMPLOYEES. Employees, officers, and directors of the corporation are not state employees, but, at the option of the board, may participate in the state retirement plan and the state deferred compensation plan for employees in the unclassified service and an insurance plan administered by the commissioner of employee relations.

Subd. 3. CONTRIBUTIONS TO PUBLIC OFFICIALS; DISCLOSURE. The president shall file a statement with the ethical practices board disclosing the nature, amount, date, and recipient of any contribution made to a public official which:

(1) was made within the four years preceding employment with the greater Minnesota board; and

(2) was subject to the reporting requirements of chapter 10A.

The statement must be updated annually during the president's employment to reflect contributions made to public officials during the president's tenure.

Sec. 5. [1160.05] POWERS OF THE CORPORATION.

(a) Except as otherwise provided in this article, the corporation has the powers granted to a business corporation by section 302A.161, subdivisions 3; 4; 5; 7; 8; 9; 11; 12; 13, except that the corporation may not act as a general partner in any partnership; 14; 15; 16; 17; 18; and 22.

(b) The state is not liable for the obligations of the corporation.

(c) Section 302A.041 applies to this article and the corporation in the same manner that it applies to business corporations established under chapter 302A.

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Sec. 6. [1160.06] FINANCIAL ASSISTANCE.

Subdivision 1. FINANCIAL ASSISTANCE; TYPES. The corporation may provide financial assistance to sole proprietorships, businesses, or for-profit or nonprofit organizations. Financial assistance includes, but is not limited to, loan guarantees or insurance, direct loans, and interest subsidy payments. The corporation may participate in loans by purchasing from a lender up to 50 percent of each loan.

Subd. 2. EQUITY INVESTMENTS. The corporation may acquire an interest in a product or a private business entity, except that the corporation may not acquire an interest in a business entity engaged in a trade or industry whose profits are directly regulated by the commissioner of commerce or the department of public service. The corporation may enter into joint venture agreements with other private corporations to promote economic development and job creation.

Subd. 3. GREATER MINNESOTA FINANCE AUTHORITY. The board may designate the greater Minnesota finance authority to provide financial assistance. The authority, if established, consists of seven members, five of whom are members of the general public appointed by the board with experience in business development, finance, banking, or venture capital. The president of the corporation and one board member must be members of the authority. Members of the authority shall serve without compensation, but shall receive necessary and actual expenses while engaged in the business of the corporation.

Subd. 4. STANDARDS. The board may establish minimum interest rates, security requirements, restrictions on the amount of the corporation's financial participation in a project, and other financial standards the board determines necessary to establish in providing financial assistance.

Subd. 5. PREFERENCE. In providing financial assistance, the corporation must give preference to sole proprietorships, businesses, or organizations that are starting or expanding their operations in greater Minnesota.

Sec. 7. [1160.07] ON-SITE RESEARCH.

The corporation may construct, acquire, lease, own, or operate one or more on-site research facilities in Minnesota.

Sec. 8. [1160.08] REGIONAL RESEARCH INSTITUTES.

Subdivision 1. ESTABLISHMENT. The board may establish up to four regional research institutes in greater Minnesota. Each institute shall be located at or near a post-secondary education institution whose primary focus is comparable to the mission of the institute.

Subd. 2. PURPOSE. The purpose of the institutes is to provide applied research and development services to individuals, businesses, or organizations for the purposes of developing the region's economy through the utilization of

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the region's resources and the development of technology. Research and development services may include on-site research, product development grants, testing of production techniques and product quality, marketing and business management assistance, and feasibility studies.

Subd. 3. INSTITUTE ADMINISTRATION; STAFF. The board shall appoint a director to manage the operation of the institute. The director may employ employees and enter into contracts with post-secondary education governing boards for research services of post-secondary institution staff, facilities, or equipment.

Subd. 4. RESEARCH CONTRACTS. The director of each institute may enter into contracts with individuals, businesses, or organizations to provide research and development assistance at institute facilities or at other sites the director determines appropriate. The board shall establish the overall contract guidelines.

Subd. 5. PRODUCT DEVELOPMENT GRANTS. The director of each institute may provide product development grants to those individuals, businesses, or for-profit or nonprofit organizations that, without financial assistance, would not be able to undertake the development of a product or technology-related service. The board shall establish eligibility criteria and the terms of the product development grants.

Subd. 6. INSTITUTE ADVISORY BOARD. A regional research institute advisory board may be appointed by the board. The advisory board may consist of representatives of public post-secondary institutions in the area surrounding the institute, business owners, and members of the general public. Terms and removal of members must be set by the board and the members of each advisory board shall serve without compensation but shall receive their necessary and actual expenses. The purpose of the advisory board is to provide the institute director assistance in operating the institute, review contract proposals and provide recommendations relating to product development grants.

Subd. 7. DESIGNATED RESEARCH INSTITUTE. The agricultural utilization research institute established in section 9 is designated as one of the regional research institutes authorized under this section.

Sec. 9. [1160.09] AGRICULTURAL UTILIZATION RESEARCH INSTITUTE.

Subdivision 1. ESTABLISHMENT. The corporation shall establish an agricultural utilization research institute to promote the establishment of new products and product uses and the expansion of existing markets for the state's agricultural commodities and products. The institute must be located near an existing agricultural research facility in the agricultural region of the state.

Subd. 2. DUTIES. In addition to the duties and powers assigned to the institutes in section 8, the agricultural utilization research institute shall:

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(1) identify the various market segments characterized by Minnesota's agricultural industry, address each segment's individual needs, and identify development opportunities in each segment;

(2) develop and implement a utilization program for each segment that addresses its development needs and identifies techniques to meet those needs;

(3) coordinate research among the public and private organizations and individuals specifically addressing procedures to transfer new technology to businesses, farmers and individuals; and

(4) provide research grants to public and private educational institutions and other organizations that are undertaking basic and applied research that would promote the development of the various agricultural industries.

Subd. 3. STAFF. The corporation shall provide staff to the agricultural utilization research institute and assist in carrying out the duties of the agricultural utilization research institute.

Subd. 4. AGRICULTURAL RESEARCH GRANTS. The institute may make matching grants for agricultural product utilization research to the University of Minnesota, a state university, a community college, a Minnesota private college or university, an area vocational technical institute, a private corporation, or a person. Grants may be matched from private sources, including farm commodity groups and farm organizations.

Subd. 5. ADVISORY BOARD. A 26-member advisory board is established to identify priorities for the agricultural utilization research institute. Members of the advisory board are appointed by the board. The advisory board consists of: the chair of the Minnesota house of representatives agricultural committee; the chair of the Minnesota senate agricultural committee; a representative from each of the 10 largest agricultural-related businesses in the state as determined by the corporation; a member from each of the appropriate trade organizations representing producers of beef cattle, dairy, corn, soybeans, pork, wheat, turkey, barley, wild rice, edible beans, eggs, and potatoes; a member of the Farmers's Union; and a member of the Farm Bureau. Terms and removal of members must be set by the board and members of the advisory board serve without compensation but shall receive their necessary and actual expenses.

The advisory board shall annually provide a list of priorities and suggested research and marketing studies that should be performed by the agricultural utilization research institute.

Sec. 10. [1160.10] RESEARCH ADVISORY BOARD.

Subdivision 1. ESTABLISHMENT. The board shall establish a research advisory board to provide advisory assistance to the board and the research institutes. The research advisory board consists of seven members appointed by the board. Terms and removal of members must be set by the board and research advisory board members shall serve without compensation but shall

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receive their necessary and actual expenses while engaged in the business of the corporation. The membership of the advisory board must have representatives that are experienced or have expertise in technology, applied research, agriculture, business, labor, or productivity.

Subd. 2. DUTIES. The research advisory board has the following duties and responsibilities:

(a) Identify specific areas where research and development will contribute to the productivity of the state's businesses and farms.

(b) Determine specific areas where financial assistance for research and development could assist the development of businesses and create new employment opportunities.

(c) Advise the board in the development and establishment of the regional research institutes and the research grants to public and private post-secondary education institutions.

(d) Advise public and private post-secondary education institutions on the research and development needs of businesses in Minnesota.

(e) Review the applications and make recommendations to the board for research grants to public and private post-secondary education institutions.

(f) Develop guidelines for an effective peer review process for evaluating scientifically- or technologically-related financial assistance.

Sec. 11. [1160.11] RESEARCH GRANTS TO EDUCATION UNITS.

Subdivision 1. GRANTS GENERALLY. The board may make matching grants to public and private post-secondary education institutions or units within those institutions, including the natural resource research institute, for applied research and development. Grants are to be made for projects which will likely result in assisting economic and employment development in greater Minnesota. The corporation board shall not give final approval to a research grant until it has received an evaluation and recommendation from the research advisory board established in section 10.

Sec. 12. [1160.12] GREATER MINNESOTA FUND.

(a) The greater Minnesota fund is created in the state treasury. The board may require the commissioner of finance to create separate accounts within the fund for use in accordance with the fund's purposes. Money in the fund not needed for the immediate purposes of the corporation may be invested by the corporation in any way authorized by section 11A.24. Money in the fund is appropriated to the corporation to be used as provided in this chapter.

(b) The fund consists of:

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- (1) money appropriated and transferred from other state funds;
- (2) fees and charges collected by the corporation;
- (3) income from investments and purchases;
- (4) revenue from loans, rentals, royalties, dividends, and other proceeds collected in connection with lawful corporate purposes; and
- (5) gifts, donations, and bequests made to the corporation.

Sec. 13. [116O.13] AGRICULTURAL PROJECT UTILIZATION FUND.

The agricultural project utilization fund is a fund in the state treasury. Money in the fund is appropriated to the agricultural utilization research institute to be used for agricultural research grants as provided in section 9, subdivision 4, and for the agricultural utilization research institute.

Sec. 14. [116O.14] AUDITS.

The corporation board shall contract with a certified public accounting firm to do a financial and compliance audit of the corporation and any subsidiary annually in accordance with generally accepted accounting standards.

The books and records of the corporation and any subsidiary, fund, or entity to be administered or governed by the corporation are subject to audit without previous notice by the legislative auditor.

Sec. 15. [116O.15] REPORTS.

The board shall report to the appropriate committees of the legislature and the governor on the activities of the corporation by January 1 of each year. The report must include, at least, a description of projects supported by the corporation, an account of all grants made by the corporation during the calendar year, the source and amount of all money collected and distributed by the corporation, the corporation's assets and liabilities, an explanation of administrative expenses, and any amendments to the operational plan. Reports must be made to the legislature as required by section 3.195.

Sec. 16. REGISTERED NAME.

Notwithstanding Minnesota Statutes, section 302A.117, the secretary of state shall register the name "Greater Minnesota Corporation" on behalf of the corporation.

Sec. 17. INITIAL APPOINTMENTS.

Notwithstanding section 3, subdivision 2, the governor shall appoint the initial members of the board of directors of the Greater Minnesota Corporation, subject to the advice and consent of the senate, as follows: four to six-year terms, four to four-year terms, and three to two-year terms. As the terms of the initial appointments expire, appointments must be made by the board, subject to the advice and consent of the senate.

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

Sec. 18. NATURAL RESOURCES RESEARCH INSTITUTE.

The Greater Minnesota Corporation board and the University of Minnesota board of regents may examine the feasibility of entering into a formal agreement for joint administration or transfer of the natural resources research institute from the University to the corporation. The corporation and board of regents shall report to the governor and legislative by January 15, 1988. The report must include recommendations for the structure for administering the institution, the potential use of university staff and facilities, funding sources and whether the institute should be transferred to the Greater Minnesota Corporation. The corporation may not establish a regional institute whose research focus is comparable to the present research undertaken at the natural resources research institute.

Sec. 19. VENTURE CAPITAL STUDY.

The Greater Minnesota Corporation shall study the effect and the possible administrative and legal structure of the establishment of a for-profit venture capital corporation. This venture capital corporation may be capitalized by a state appropriation that in turn may be converted into shares of stock owned by every resident of the state. This corporation would invest only in Minnesota companies or production facilities located in the state with a preference to ventures that utilize the state's resources and intermediate products and services. The venture capital corporation would invest in local capital venture pools that are managed by experienced private venture capital firms and this corporation would only provide investment capital for product development and start-up business development. The venture capital corporation would target its investment capital to products and businesses that reduce costs to the state's residents and government jurisdictions such as products that improve resource efficiency or products that improve the independence of the physically disabled.

The study may be completed directly by the Greater Minnesota Corporation or the corporation may contract with a business, state agency, organization, or individual to complete the study. The study must include the examination of at least the following:

(1) the anticipated demand for venture capital that meets the investment criteria of the venture capital corporation;

(2) an estimation of the start-up costs of the venture capital corporation;

(3) an estimation of on-going administrative costs of the venture capital corporation including shareholder-related costs;

(4) the most appropriate legal structure for the venture capital corporation including recommendations for the enabling legislation for the corporation;

(5) an estimation of the potential additional investment through stock purchases by Minnesota residents;

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(6) an inventory of experienced and interested local venture capital firms that the corporation would utilize in distributing its venture capital; and

(7) an analysis of the type of products that meet the investment criteria of the venture capital corporation.

The Greater Minnesota Corporation shall submit the study to the legislature and the governor by July 1, 1988.

Sec. 20. DISSOLUTION.

In the event of dissolution of the Greater Minnesota Corporation for any reason, the state of Minnesota, upon action by the governor, and after consultation with the legislative advisory commission, may require the liquidation of all holdings and investments and the return of the proceeds of that liquidation and any wholly-owned assets of the corporation to the state, in exchange for the assumption of all outstanding obligations of the corporation.

If the corporation is dissolved, or certain of its functions transferred to another entity, the assets and liabilities and property associated with the dissolved or transferred functions must return to the state or to the entity designated by law.

Sec. 21. OPERATIONAL PLAN.

The board of directors of the Greater Minnesota Corporation shall prepare a comprehensive operational plan and submit the plan to the governor and the legislature by November 15, 1987. The operational plan must at least include operating procedures, accounting procedures, grant procedures, loan procedures, personnel procedures, investment procedures, and board conduct and ethics.

If the board proposes to make equity investments under section 6, subdivision 2, the board shall explain in the report how the investments will be made, how much money will be invested in them, how much private money is expected to be invested in the same investments, and why equity investments would be more desirable and effective than the other means of promoting development that are available to the board. No equity investments may be made unless the board has first submitted the information required by this section.

In addition, the operational plan must include a budget proposal and a five-year strategic plan setting out its objectives and general strategy for achieving the objectives. It must identify sources and amounts of available nongovernmental money and the purposes for which the money may be used.

Sec. 22. LOAN PROGRAMS TERMINATED; ADMINISTRATION; CREDIT OF REPAYMENTS.

The following loan programs administered by the Minnesota energy and economic development authority are terminated: the special assistance program under section 116M.07, subdivision 11, except for the small business development loans; the technology product loan program; the tourism loan program

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created under section 116M.07; the energy loan insurance program under section 116M.11; the energy development fund program under section 116M.12; and the Minnesota fund program under sections 472.11 to 472.13. Loan repayments, earnings, releases from insurance reserve accounts, and other income from these programs must be paid to the commissioner of energy and economic development, who shall deposit them in the state treasury and credit them to the greater Minnesota fund.

Sec. 23. LOAN PROGRAM ADMINISTRATION.

Subdivision 1. POWERS. To administer the loan programs transferred to the department of energy and economic development by section 22, the commissioner of energy and economic development has the powers in this section.

Subd. 2. PERSONAL PROPERTY. The commissioner may acquire, hold, and dispose of personal property where necessary or appropriate to protect a loan in which the department has an interest.

Subd. 3. REAL PROPERTY. The commissioner may acquire real property, or an interest in real property, in the department's name, by purchase or foreclosure, where the acquisition is necessary or appropriate to protect a loan in which the department has an interest and may sell, transfer, and convey the property to a buyer and, in the event the sale, transfer, or conveyance cannot be effected with reasonable promptness or at a reasonable price, may lease the property to a tenant.

Subd. 4. INSURANCE. The commissioner may procure insurance against a loss in connection with the department's property in the amounts, and from the insurers, as may be necessary or desirable.

Subd. 5. LOAN TERMS; MODIFICATION. The commissioner may consent, whenever it is considered necessary or desirable to increase the probability that the loan will be repaid, to the modification of the rate of interest, time of payment, or installment of principal or interest, or other term, of a contract or agreement to which the department is a party.

Subd. 6. FINANCIAL INFORMATION. Financial information, including credit reports, financial statements, and net worth calculations, received or prepared by the department regarding a department loan, financial assistance, or insurance is private data with regard to data on individuals as defined in section 13.02, subdivision 12 and nonpublic data with regard to data not on individuals as defined in section 13.02, subdivision 9.

Subd. 7. ROYALTY PAYMENTS. The department may receive payments in the form of royalties, dividends, or other proceeds in connection with technology-related products, energy conservation products, or other equipment which it has purchased or in which it has participated.

Sec. 24. REPEALER.

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

Minnesota Statutes 1986, sections 116M.11; 116M.12; 472.11, subdivisions 3, 5, 6, 7, 8, and 9; 472.12, subdivisions 2, 3, and 4; 472.125; and 472.13, subdivisions 2, 3, and 4, are repealed.

Sec. 25. APPROPRIATION.

\$6,500,000 is appropriated from the general fund for transfer to the greater Minnesota fund, to be available until expended. \$3,500,000 is appropriated from the rural rehabilitation revolving fund for transfer to the agricultural product utilization fund, to be available until expended.

Sec. 26. EFFECTIVE DATE.

This article is effective the day following final enactment, except that sections 19 to 22 are effective July 1, 1987; and section 6, subdivisions 1 to 3, are effective July 1, 1988.

ARTICLE 3

MINNESOTA PUBLIC FACILITIES AUTHORITY

Section 1. Minnesota Statutes 1986, section 116.16, subdivision 2, is amended to read:

Subd. 2. **DEFINITIONS.** In this section and sections 116.17 and 116.18:

(1) Agency means the Minnesota pollution control agency created by this chapter;

(2) Municipality means any county, city, and town, the metropolitan waste control commission established in chapter 473 and the metropolitan council when acting under the provisions of that chapter or an Indian tribe or an authorized Indian tribal organization, and any other governmental subdivision of the state responsible by law for the prevention, control, and abatement of water pollution in any area of the state;

(3) Pollution control fund means the Minnesota state water pollution control fund created by subdivision 1;

(4) Bond account means the Minnesota state water pollution control bond account created in the state bond fund by section 116.17, subdivision 4;

(5) Terms defined in section 115.01 have the meanings therein given them;

(6) The eligible cost of any municipal project, except as otherwise provided in clauses (7) and (8), includes (a) preliminary planning to determine the economic, engineering, and environmental feasibility of the project; (b) engineering, architectural, legal, fiscal, economic, sociological, project administrative costs of

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the agency and the municipality, and other investigations and studies; (c) surveys, designs, plans, working drawings, specifications, procedures, and other actions necessary to the planning, design, and construction of the project; (d) erection, building, acquisition, alteration, remodeling, improvement, and extension of disposal systems; (e) inspection and supervision of construction; and (f) all other expenses of the kinds enumerated in section 475.65.

(7) For state independent grant and matching grant purposes hereunder, the eligible cost for grant applicants shall be the eligible cost as determined by the United States environmental protection agency under the Federal Water Pollution Control Act, ~~as amended~~, United States Code, title 33, ~~section 1314, et seq~~ sections 1281 to 1299.

(8) Notwithstanding clause (7), for state grants under the state independent grants program, the eligible cost includes the acquisition of land for stabilization ponds, the construction of collector sewers for totally unsewered statutory and home rule charter cities and towns described under section 368.01, subdivision 1 or 1a, that are in existence on January 1, 1985, and the provision of reserve capacity sufficient to serve the reasonable needs of the municipality for 20 years in the case of treatment works and 40 years in the case of sewer systems. Notwithstanding clause (7), for state grants under the state independent grants program, the eligible cost does not include the provision of service to seasonal homes, or cost increases from contingencies that exceed three percent of as-bid costs or cost increases from unanticipated site conditions that exceed an additional two percent of as-bid costs.

(9) Authority means the Minnesota public facilities authority established in section 20.

Sec. 2. Minnesota Statutes 1986, section 116.16, subdivision 4, is amended to read:

Subd. 4. **DISBURSEMENTS.** Disbursements from the fund shall be made by the state treasurer upon order of the commissioner of finance at the times and in the amounts requested by the agency or the Minnesota public facilities authority in accordance with the applicable state and federal law governing such disbursements; except that no appropriation or loan of state funds for any project shall be disbursed to any municipality until and unless the agency has by resolution determined the total estimated cost of the project, and ascertained that financing of the project is assured by:

(1) A grant to the municipality by an agency of the federal government within the amount of funds then appropriated to that agency and allocated by it to projects within the state; or

(2) A grant of funds appropriated by state law; or

(3) A loan authorized by state law; or

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(4) The appropriation of proceeds of bonds or other funds of the municipality to a fund for the construction of the project; or

(5) Any or all of the means referred to in paragraphs (1) to (4); and

(6) An irrevocable undertaking, by resolution of the governing body of the municipality, to use all funds so made available exclusively for the construction of the project, and to pay any additional amount by which the cost of the project exceeds the estimate, by the appropriation to the construction fund of additional municipal funds or the proceeds of additional bonds to be issued by the municipality; and

(7) Conformity of the project and of the loan or grant application with the state water pollution control plan as certified to the federal government and with all other conditions under applicable state and federal law for a grant of state or federal funds of the nature and in the amount involved.

Sec. 3. Minnesota Statutes 1986, section 116.16, subdivision 5, is amended to read:

Subd. 5. **RULES.** (a) The agency shall promulgate permanent rules and may promulgate emergency rules for the administration of grants and loans authorized to be made from the fund or from federal funds under the Federal Water Pollution Control Act, ~~as amended~~, which rules, however, shall not be applicable to the issuance of bonds by the commissioner of finance as provided in section 116.17. The rules shall contain as a minimum:

(1) procedures for application by municipalities;

(2) conditions for the administration of the grant or loan;

(3) criteria for the ranking of projects in order of priority for grants or loans, based on factors including the extent and nature of pollution, technological feasibility, assurance of proper operation, maintenance and replacement, and participation in multimunicipal systems; and

(4) such other matters as the agency and the director find necessary to the proper administration of the grant program.

(b) Except as otherwise provided in sections 116.16 to 116.18, the rules for the administration of state independent grants must comply, to the extent practicable, with provisions relating directly to protection of the environment contained in the Federal Water Pollution Control Act, as amended, and regulations and guidelines of the United States environmental protection agency promulgated under the act, except provisions regarding allocation contained in section 205 of the act and regulations and guidelines promulgated under section 205 of the act. This provision does not require approval from federal agencies for the issuance of grants or for the construction of projects under the state independent grants program.

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(c) For purposes of awarding independent state grants, the agency may by rule waive the federal 20-year planning requirement for municipalities with a population of less than 1,500.

Sec. 4. Minnesota Statutes 1986, section 116.16, subdivision 9, is amended to read:

Subd. 9. **APPLICATIONS.** Applications by municipalities for grants or loans from the fund shall be made to the ~~director of the agency~~ authority on forms requiring information prescribed by rules of the agency. The authority shall send the application to the agency within ten days of receipt. The director shall certify to the ~~agency~~ authority those applications which appear to meet the criteria set forth in sections 116.16 to 116.18 and the rules promulgated hereunder, and the ~~agency~~ authority shall award the grants or loans on the basis of the criteria and priorities established by the agency in its rules and in sections 116.16 to 116.18. A municipality that is designated under agency rules to receive state or federal funding for a project and that does not make a timely application for or that refuses the funding is not eligible for either state or federal funding for that project in that fiscal year or the subsequent year.

Sec. 5. Minnesota Statutes 1986, section 116.16, is amended by adding a subdivision to read:

Subd. 11. **AWARDS OF GRANTS AND LOANS.** Upon certification by the director of the pollution control agency, the authority shall notify a municipality that is to receive a grant or loan and advise the municipality of the grant agreement or loan form or other document that must be executed to complete the grant or loan. Upon certification from the director that the work has been completed and that payment is proper, the authority shall pay to the municipality the periodic grant or loan payment.

Sec. 6. Minnesota Statutes 1986, section 116.16, is amended by adding a subdivision to read:

Subd. 12. **AMENDMENTS.** A municipality that seeks an amendment to a previously awarded grant or loan shall follow the procedure in subdivision 9 for applying to the authority. The request for a grant or loan amendment must be forwarded by the authority to the director of the pollution control agency for consideration, and the authority shall process a grant or loan amendment that is approved by the director.

Sec. 7. Minnesota Statutes 1986, section 116.18, subdivision 2a, is amended to read:

Subd. 2a. **STATE MATCHING GRANTS PROGRAM BEGINNING OCTOBER 1, 1984 1987.** For projects tendered, on or after October 1, ~~1984~~ 1987, a grant of federal money under section 201(g), section 202, 203, or 206(f) of the Federal Water Pollution Control Act, as amended, United States Code, title 33, sections 1251 to 1376, at 55 percent or more of the eligible cost for

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construction of the treatment works, state money appropriated under subdivision 1 must be expended for ~~up to 30~~ 50 percent ~~of the nonfederal share~~ of the eligible cost of construction for municipalities for which the construction would otherwise impose significant financial hardship; provided, that not less than ten percent of the eligible cost must be paid by the municipality or agency constructing the project. If a municipality is tendered federal and state grants in a percentage cumulatively exceeding 90 percent of the eligible cost of construction, the state pollution control agency shall reduce the grant to the municipality under this chapter to the extent necessary to ensure that not less than ten percent of the eligible cost will be paid by the municipality. The amounts of the matching grants must be based on per connection capital cost, median household income, and per capita adjusted assessed valuation with populations of 25,000 or less.

Sec. 8. Minnesota Statutes 1986, section 116.18, subdivision 3a, is amended to read:

Subd. 3a. **STATE INDEPENDENT GRANTS PROGRAM.** (a) The agency Minnesota public facilities authority may award independent grants for projects certified by the state pollution control director for 50 percent or, if the agency requires advanced treatment, 65 population of the municipality is 25,000 or less, 80 percent of the eligible cost of construction. ~~The agency may award independent grants for up to an additional 30 percent or, if the agency requires advanced treatment, up to an additional 25 percent of the eligible cost of construction to municipalities for which the construction would otherwise impose significant financial hardship; the amounts of the additional grants shall be based on per connection capital cost, median household income, and per capita adjusted assessed valuation.~~ These grants may be awarded in separate steps for planning and design in addition to actual construction. Until December 31, 1990, not more than 20 percent of the total amount of grants awarded under this subdivision in any single fiscal year may be awarded to a single grantee.

(b) Up to ten percent of the money to be awarded as grants under this subdivision in any single fiscal year shall be set aside for municipalities having substantial economic development projects that cannot come to fruition without municipal wastewater treatment improvements. The agency shall forward its municipal needs list to the ~~commissioner of energy and economic development~~ authority at the beginning of each fiscal year, and the ~~commissioner~~ authority shall review the list and identify those municipalities having substantial economic development projects. After the first 90 percent of the total available money is allocated to municipalities in accordance with agency priorities, the set-aside shall be used by the agency authority to award grants to remaining municipalities that have been identified.

(c) Grants may also be awarded under this subdivision to reimburse municipalities willing to proceed with projects and be reimbursed in a subsequent year conditioned upon appropriation of sufficient money under subdivision 1 for that year. ~~The maximum amount of the reimbursement the agency may commit in any single fiscal year is equal to the amount newly appropriated to the state grants programs for that year.~~

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(d) A municipality that applies for a state independent grant to be reimbursed for a project must receive an additional five percent of the total eligible cost of construction beyond the normal percentage to which the municipality is entitled under paragraph (a).

Sec. 9. STATE INDEPENDENT GRANTS PROGRAM.

(a) The state pollution control agency may award independent grants for projects for 50 percent or, if the population of the municipality is 25,000 or less, 80 percent of the eligible cost of construction. These grants may be awarded in separate steps for planning and design in addition to actual construction. Until December 31, 1990, not more than 20 percent of the total amount of grants awarded under this section in a fiscal year may be awarded to a single grantee.

(b) Up to ten percent of the money to be awarded as grants under this section in a fiscal year must be set aside for municipalities having substantial economic development projects that cannot come to fruition without municipal wastewater treatment improvements. The agency shall forward its municipal needs list to the authority at the beginning of each fiscal year, and the authority shall review the list and identify those municipalities having substantial economic development projects. After the first 90 percent of the total available money is allocated to municipalities in accordance with agency priorities, the set-aside must be used by the authority to award grants to remaining municipalities that have been identified.

(c) Grants may also be awarded under this section to reimburse municipalities willing to proceed with projects and be reimbursed in a subsequent year conditioned upon appropriation of sufficient money under Minnesota Statutes, section 116.18, subdivision 1, for that year.

(d) A municipality that applies for a state independent grant to be reimbursed for a project must receive an additional five percent of the total eligible cost of construction beyond the normal percentage to which the municipality is entitled under paragraph (a).

Sec. 10. Minnesota Statutes 1986, section 116J.36, subdivision 2, is amended to read:

Subd. 2. **DEFINITIONS.** In this section:

(a) "Authority" means the Minnesota public facilities authority.

(b) "Construction costs" means all costs associated with the construction, modification or expansion of a district heating system except for preliminary planning costs and detailed design costs. Construction costs include the cost of debt service from the time a construction loan is made until five years after the beginning of the operation of the district heating system constructed or the part of the system being modified or expanded.

(b) (c) "District heating" means the use of a central energy conversion

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facility to produce hot water or steam for a district heating system. District heating facilities may also produce electricity in addition to hot water or steam.

(e) (d) "Municipality" means any county, home rule charter or statutory city, town, school district or a municipal power agency formed pursuant to sections 453.53 to 453.62. Municipality also means a public utility, as defined in section 452.01, subdivision 3, owned and operated by a city, however organized. For purposes of a district heating system only, municipality also means a non-profit corporation organized pursuant to the provisions of chapter 317 whose membership is limited to the mayor and governing body of the city in which the district heating system is located.

(d) (e) "District heating system" means any existing or proposed facility for (1) the production, through cogeneration or otherwise, of hot water or steam to be used for district heating, or (2) the transmission and distribution of hot water or steam for district heating either directly to heating consumers or to another facility or facilities for transmission and distribution, or (3) any part or combination of the foregoing facilities.

(e) (f) "Qualified energy improvement" means a cost-effective capital improvement to public land, buildings, or energy using systems, other than a district heating system, including the purchase or installation of equipment to reduce the usage of conventional energy sources or to use alternative energy resources. Qualified energy improvements also include waste-to-energy facilities that meet the criteria specified in subdivision 8a and any rule adopted under that subdivision. Qualified energy improvements shall meet all environmental and permitting standards established by state and federal law.

Sec. 11. Minnesota Statutes 1986, section 116J.36, subdivision 3b, is amended to read:

Subd. 3b. **GRANT ELIGIBILITY, DISTRICT HEATING.** The ~~commissioner of energy and economic development~~ authority may provide district heating system planning grants to municipalities ~~for planning related to the development of district heating systems~~ certified by the director of public service as eligible to receive planning grants. The municipality must demonstrate that a community heatload survey and map have been successfully completed, that potential district heating load is sufficiently large to justify further consideration, and that sufficient resources are available for the municipality to meet its financial requirements. Eligible planning grant costs include project definition, development of preliminary financing and distribution system plans, and obtaining commitment for detailed planning or design and preparation of a final report. The amount of the grant to a municipality is limited to 90 percent of eligible planning costs and shall not exceed \$70,000 as established by rule or emergency rule.

Sec. 12. Minnesota Statutes 1986, section 116J.36, subdivision 3c, is amended to read:

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

Subd. 3c. **GRANT ELIGIBILITY, QUALIFIED ENERGY IMPROVEMENTS.** The ~~commissioner of energy and economic development~~ authority may provide qualified energy improvement planning grants to municipalities ~~for planning related to the development of qualified energy improvements~~ certified by the director of public service as eligible to receive planning grants. The municipality must demonstrate that sufficient resources are available for the municipality to meet its financial requirements. Eligible planning grant costs include definition of the improvement, development of preliminary financing plans, and obtaining commitment for detailed planning or design and preparation of a final report. The amount of a grant to a municipality is limited to 90 percent of eligible planning costs and must not exceed \$100,000 as established by rule or emergency rule.

Sec. 13. Minnesota Statutes 1986, section 116J.36, subdivision 8, is amended to read:

Subd. 8. **LOAN APPROVAL.** The ~~commissioner of energy and economic development~~ director of public service shall prepare and submit to the ~~energy and economic development authority~~ separate priority lists of loan requests for district heating systems and qualified energy improvements. The priority list for district heating loans ~~shall contain the supporting information required by~~ must be based on the requirements under subdivisions 3, 4, 5, 6, and 7. The priority list for qualified energy improvements ~~shall contain the supporting information required by~~ must be based on the requirements under subdivisions 3a, 3c, 4a, 5, and 6. ~~The recommendation of the authority shall be transmitted to the commissioner of finance.~~ The commissioner of finance shall sell bonds and the authority shall make loans for district heating projects and qualified energy improvements only upon the recommendation of the ~~authority~~ director of public service.

Sec. 14. Minnesota Statutes 1986, section 116J.36, subdivision 8a, is amended to read:

Subd. 8a. **CRITERIA FOR QUALIFIED ENERGY IMPROVEMENTS.** Qualified energy improvements eligible for loans must meet criteria established in rule by the ~~commissioner of energy and economic development~~ director of public service. Rules shall include criteria for analyzing the cost-effectiveness of improvements. Rules relating to qualified energy improvements involving a waste-to-energy facility must be adopted in consultation with the waste management board, the authority, and the pollution control agency. An improvement involving a waste-to-energy facility must be part of a solid waste management plan approved by the pollution control agency or a plan approved under section 473.803.

Sec. 15. Minnesota Statutes 1986, section 116J.36, subdivision 11, is amended to read:

Subd. 11. **RULES.** The commissioner of energy and economic development shall adopt rules and may adopt emergency rules necessary to carry out the

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programs of this section. The director of public service shall adopt rules for the administration of programs under this section. ~~The commissioner of energy and economic development~~ director of public service may adopt emergency rules pursuant to sections 14.29 to 14.36, meeting the requirements of this section. The rules shall contain as a minimum:

- (a) Procedures for application by municipalities; and
- (b) Criteria for reviewing grant and loan applications.

Sec. 16. Minnesota Statutes 1986, section 116J.37, subdivision 1, is amended to read:

Subdivision 1. **DEFINITIONS.** In this section:

(a) "Commissioner" means the commissioner of energy and economic development. Upon passage of legislation creating a body known as the Minnesota energy public facilities authority, the duties assigned to the commissioner in this section are delegated to the authority.

(b) "Maxi-audit" has the meaning given in section 116J.06, subdivision 12.

(c) "Energy conservation investments" mean all capital expenditures that are associated with conservation measures identified in a maxi-audit and that have a ten-year or less payback period. Public school districts that received a federal institutional building grant in 1984 to convert a heating system to wood, and that apply for an energy conservation investment loan to match a federal grant for wood conversion, shall be allowed to calculate payback of conservation measures based on the costs of the traditional fuel in use prior to the wood conversion.

Sec. 17. Minnesota Statutes 1986, section 116J.37, is amended by adding a subdivision to read:

Subd. 8. TECHNICAL SUPPORT. The director of public service shall prepare and submit to the authority the technical evaluation of all applicants under this section.

Sec. 18. **[446A.01] MINNESOTA PUBLIC FACILITIES AUTHORITY ACT.**

Sections 18 to 26 may be cited as the "Minnesota public facilities authority act."

Sec. 19. **[446A.02] DEFINITIONS.**

Subdivision 1. APPLICABILITY. For the purposes of sections 18 to 26, the terms in this section have the meanings given them.

Subd. 2. AUTHORITY. "Authority" means the Minnesota public facilities authority.

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

Subd. 3. COMMISSIONER. "Commissioner" means the commissioner of energy and economic development.

Subd. 4. FEDERAL WATER POLLUTION CONTROL ACT. "Federal Water Pollution Control Act" means the Federal Water Pollution Control Act, as amended, United States Code, title 33, sections 1281 to 1299.

Subd. 5. GOVERNMENTAL UNIT. "Governmental unit" means a state agency, home rule charter or statutory city, county, sanitary district, or other governmental subdivision.

Subd. 6. PROJECT. "Project" means the acquisition, construction, improvement, expansion, repair, or rehabilitation of all or part of any structure, facility, or equipment necessary for a wastewater treatment system or water supply system.

Sec. 20. [446A.03] MINNESOTA PUBLIC FACILITIES AUTHORITY.

Subdivision 1. MEMBERSHIP. The Minnesota public facilities authority consists of the commissioner of energy and economic development, the commissioner of finance, the director of public service, the director of the pollution control agency, and three additional members appointed by the governor from the general public with the advice and consent of the senate.

Subd. 2. CHAIR; OTHER OFFICERS. The commissioner of energy and economic development shall serve as the chair and chief executive officer of the authority. The authority may elect other officers as necessary from its members.

Subd. 3. MEMBERSHIP TERMS. The membership terms, compensation, removal, and filling of vacancies of public members of the authority are as provided in section 15.0575.

Subd. 4. BOARD ACTIONS. A majority of the authority, excluding vacancies, constitutes a quorum to conduct its business, to exercise its powers, and for all other purposes.

Subd. 5. EXECUTIVE DIRECTOR. The commissioner shall employ, with the concurrence of the authority, an executive director. The director shall perform duties that the authority may require in carrying out its responsibilities. The executive director's position is in the unclassified service.

Subd. 6. ADMINISTRATIVE SERVICES. The commissioner shall provide administrative services to the authority.

Subd. 7. PERSONAL LIABILITY. Members and officers of the authority are not liable personally for any debt or obligation of the authority.

Sec. 21. [446A.04] POWERS; DUTIES.

Subdivision 1. BYLAWS; RULES. The authority shall adopt bylaws for its organization and internal management. The commissioner may adopt rules covering the authority's operations, properties, and facilities.

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

Subd. 2. POWER TO SUE; ENTER CONTRACTS. The authority may sue and be sued. The authority may make and enter into contracts, leases, and agreements necessary to perform its duties and exercise its powers.

Subd. 3. GIFTS; GRANTS. The authority may apply for, accept, and disburse gifts, grants, loans, or other property from the United States, the state, private sources, or any other source for any of its purposes. Money received by the authority under this subdivision must be deposited in the state treasury and is appropriated to the authority to carry out its duties.

Subd. 4. CONTRACT FOR SERVICES. The authority may retain or contract for the services of accountants, financial advisors, and other consultants or agents needed to perform its duties and exercise its powers.

Subd. 5. FEES. The authority may set and collect fees for costs incurred by the authority for its financings and the establishment and maintenance of reserve funds.

Sec. 22. [446A.05] PROJECT LOANS.

Subdivision 1. LOANS. The authority may make and contract to make loans to governmental units to finance projects that the governmental unit may construct or acquire. A loan may not be used to pay current expenses or obligations, except for temporary financing. A loan must be secured by notes or bonds of the borrowing governmental unit.

Subd. 2. RULES. The commissioner may adopt rules governing loans awarded under this section.

Sec. 23. [446A.06] INDEPENDENT WASTEWATER TREATMENT GRANTS.

Subdivision 1. AWARD OF GRANTS. The authority shall award independent state grants to municipalities selected by the pollution control agency upon certification by the agency that the municipalities' projects and applications have been reviewed and approved by the agency in accordance with sections 116.16 to 116.18 and agency rules.

Subd. 2. RULES. The commissioner shall adopt rules containing procedures for the administration of the authority's duties as provided in subdivision 1.

Sec. 24. [446A.07] WATER POLLUTION CONTROL REVOLVING FUND.

Subdivision 1. ESTABLISHMENT OF FUND. The authority shall establish a water pollution control revolving fund to provide loans for the purposes and eligible costs authorized under title VI of the Federal Water Pollution Control Act. The fund must be credited with repayments.

Subd. 2. STATE FUNDS. A state matching fund is established to be used

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in compliance with federal matching requirements specified in the Federal Water Pollution Control Act. A state grant and loan fund is established to provide grants and loans to governmental units for the planning and construction of treatment works as specified in section 116.16, subdivision 2, paragraphs (6), (7), and (8).

Subd. 3. CAPITALIZATION GRANT AGREEMENT. The authority shall enter an agreement with the administrator of the United States Environmental Protection Agency to receive capitalization grants for the revolving fund. The authority may exercise powers necessary to comply with the requirements specified in the agreement, which must be in compliance with the Federal Water Pollution Control Act.

Subd. 4. INTENDED USE PLAN. The pollution control agency shall annually prepare and submit to the United States Environmental Protection Agency an intended use plan. The plan must identify the intended uses of the amounts available to the water pollution control revolving fund, including a list of wastewater treatment projects and other eligible activities to be funded during the fiscal year. The agency may not submit the plan until it has received the review and comment of the authority or until 30 days have elapsed since the plan was submitted to the authority, whichever occurs first.

Subd. 5. APPLICATIONS. Applications by municipalities and other entities identified in the annual intended use plan for loans from the water pollution control revolving fund must be made to the authority on forms requiring information prescribed by the rules of the agency adopted under this section. The authority shall send the applications to the agency within ten days of receipt. The director shall certify to the authority those applications that appear to meet the criteria set forth in the Federal Water Pollution Control Act, this section, and rules of the agency.

Subd. 6. AWARD AND TERMS OF LOANS. The authority shall award loans to those municipalities and other entities certified by the agency. The terms and conditions of the loans must be in conformance with the Federal Water Pollution Control Act, this section, and rules of the agency, and authority adopted under this section.

Subd. 7. LOAN CONDITIONS. When making loans from the revolving fund, the authority shall comply with the conditions of the Federal Water Pollution Control Act, including:

(a) Loans must be made at or below market interest rates, including interest-free loans, at terms not to exceed 20 years.

(b) The annual principal and interest payments must begin no later than one year after completion of a project. Loans must be fully amortized no later than 20 years after project completion.

(c) A loan recipient shall establish a dedicated source of revenue for repayment of the loan.

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(d) The fund must be credited with all payments of principal and interest on all loans.

Subd. 8. OTHER USES OF REVOLVING FUND. The water pollution control revolving fund may be used as provided in title VI of the Federal Water Pollution Control Act, including the following uses:

(1) to buy or refinance the debt obligation of governmental units for treatment works incurred after March 7, 1985, at or below market rates;

(2) to guarantee or purchase insurance for local obligations to improve credit market access or reduce interest rates;

(3) to provide a source of revenue or security for the payment of principal and interest on revenue or general obligation bonds issued by the authority if the bond proceeds are deposited in the fund;

(4) to provide loan guarantees for similar revolving funds established by a governmental unit other than state agencies;

(5) to earn interest on fund accounts; and

(6) to pay the reasonable costs incurred by the authority and the agency of administering the fund and conducting activities required under the Federal Water Pollution Control Act, including water quality management planning under section 205(j) of the act and water quality standards continuing planning under section 303(e) of the act.

Amounts spent under clause (6) may not exceed the amount allowed under the Federal Water Pollution Control Act. Five percent of the revolving loan fund repayments may be used by the agency and the authority for the purposes listed in clause (6).

Subd. 9. PAYMENTS. Payments from the fund must be made in accordance with the applicable state and federal law governing the payments, except that no payment for a project may be made to a governmental unit until and unless the authority has determined the total estimated cost of the project and ascertained that financing of the project is assured by:

(1) a loan authorized by state law or the appropriation of proceeds of bonds or other money of the governmental unit to a fund for the construction of the project; and

(2) an irrevocable undertaking, by resolution of the governing body of the governmental unit, to use all money made available for the project exclusively for the project, and to pay any additional amount by which the cost of the project exceeds the estimate by the appropriation to the construction fund of additional money or the proceeds of additional bonds to be issued by the governmental unit.

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Subd. 10. RULES OF THE AUTHORITY. The commissioner shall adopt rules containing procedures for the administration of the authority's duties as provided in this section, including loan interest rates, the amounts of loans, and municipal financial need.

Subd. 11. RULES OF THE AGENCY. The agency shall adopt rules relating to the procedure for preparation of the annual intended use plan and other matters that the agency considers necessary for proper loan administration.

Sec. 25. [446A.08] HEALTH CARE EQUIPMENT LOANS.

Subdivision 1. AUTHORITY. The authority may make or participate in making health care equipment loans. The loans may be made only from the proceeds of bonds or notes issued under subdivision 2. Before making a commitment for a loan, the authority shall forward the application to the commissioner of health for review under subdivision 3. The authority may not approve or enter into a commitment for a loan unless the application has been approved by the commissioner of health.

Subd. 2. BONDS AND NOTES. The authority may issue its bonds and notes to provide money for the purposes specified in subdivision 1. The principal amount of bonds and notes issued and outstanding under this subdivision at any time may not exceed \$95,000,000. The bonds and notes issued to make the loans may not be insured by the authority but must be insured by a letter of credit or bond insurance issued by a private insurer.

Subd. 3. ADMINISTRATION. (a) The commissioner of health shall review each loan application received from the authority to determine whether the application is an eligible application. An application is eligible if the following criteria are satisfied:

(1) the hospital is owned and operated by a county, district, municipality, or nonprofit corporation;

(2) the loan would not be used to refinance existing debt;

(3) the hospital was unable to obtain suitable financing from other sources;

(4) the loan is necessary to establish or maintain patient access to an essential health care service that would not otherwise be available within a reasonable distance from the facility; and

(5) the equipment to be financed by the loan is cost-effective and efficient.

(b) The authority shall determine whether the allocation available for the health care equipment loan program is sufficient for all eligible applications received during a specified time. If the allocations are sufficient, the authority shall approve all eligible applications. If the allocations are not sufficient, the authority shall compare the relative merits of the eligible applications with respect to the criteria in paragraph (a), clauses (4) and (5), rank the applications in order of priority, and approve the applications in order of priority to the extent possible within the available allocation.

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(c) The authority may charge a reasonable fee under section 16A.128 to an applicant for the costs of review of the application. The authority shall transfer to the commissioner of health from the fees collected an amount sufficient to pay the costs of the commissioner of health in the review of applications. The commissioner of health and the authority may each adopt permanent rules to implement subdivisions 1 to 3.

Sec. 26. [446A.09] REPORT; AUDIT.

The authority shall report to the legislature and the governor by January 1 of each year. The report must include a complete operating and financial statement covering the authority's operations during the year, including amounts of income from all sources. Books and records of the authority are subject to audit by the legislative auditor in the manner prescribed for state agencies.

Sec. 27. GOVERNOR'S ACTION.

The governor may request the administrator of the environmental protection agency to make available to the state, capitalization grants to be deposited in the water pollution control revolving fund, for the fiscal year beginning October 1, 1987. The governor may request that up to 75 percent of the amount allotted to the state for the fiscal year beginning October 1, 1987, be made available for deposit in the water pollution control revolving fund.

Sec. 28. [466A.10] TRANSFER OF AUTHORITY.

Subdivision 1. WATER POLLUTION CONTROL GRANTS. (a) The responsibilities of the pollution control agency for the state independent wastewater treatment grant program under Minnesota Statutes, section 116.18, subdivision 3a, are transferred on July 1, 1988, to the Minnesota public facilities authority under Minnesota Statutes, section 15.039, except that the commissioner of energy and economic development and the director of the pollution control agency shall determine which classified and unclassified positions associated with these responsibilities are transferred.

(b) Any continuing obligation with respect to grants made before September 30, 1984, under Minnesota Statutes 1984, section 116.18, subdivision 2, remains with the pollution control agency.

(c) The pollution control agency shall continue to administer the combined sewer overflow program under Minnesota Statutes, section 116.162, and the appropriations for the program.

Subd. 2. OTHER RESPONSIBILITIES. (a) The responsibilities for the health care equipment loan program under section 116M.07, subdivisions 7a, 7b, and 7c; the public school energy conservation loan program under section 116J.37; and the district heating and qualified energy improvement loan program under section 116J.36, are transferred from the Minnesota energy and economic development authority to the Minnesota public facilities authority.

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The director of public service shall continue to administer the municipal energy grant and loan programs under section 116J.36 and the school energy loan program under section 116J.37 until the commissioner of energy and economic development has adopted rules to implement the financial administration of the programs as provided under sections 10 to 17.

(b) Except as otherwise provided in this paragraph, section 15.039 applies to the transfer of responsibilities. The transfer includes eight and one-half positions from the financial management division of the department of energy and economic development to the community development division of the department of energy and economic development. The commissioner of energy and economic development and the director of public service shall determine which classified and unclassified positions associated with the responsibilities of the grant and loan programs under section 116J.36 and the school energy loan program under section 116J.37 are transferred to the director of public service and which positions are transferred to the commissioner of energy and economic development in order to carry out the purposes of this article.

Sec. 29. [466A.11] PROGRAM ADMINISTRATION.

Subdivision 1. POWERS. In implementing the purposes and the programs transferred to the authority by section 28, subdivision 2, the authority has the powers in this section.

Subd. 2. RULES. It may adopt, amend, and repeal rules, including emergency rules, necessary to effectuate its purposes.

Subd. 3. PERSONAL PROPERTY. It may acquire, hold, and dispose of personal property for its corporate purposes.

Subd. 4. REAL PROPERTY. It may acquire real property, or an interest in real property, in its own name, by purchase or foreclosure, where the acquisition is necessary or appropriate to protect a loan in which the authority has an interest and may sell, transfer, and convey the property to a buyer and, in the event the sale, transfer, or conveyance cannot be effected with reasonable promptness or at a reasonable price, may lease the property to a tenant.

Subd. 5. NOTES; MORTGAGES; OBLIGATIONS; SALE OF. It may sell, at public or private sale, any note, mortgage or other instrument or obligation evidencing or securing a loan.

Subd. 6. INSURANCE. It may procure insurance against a loss in connection with its property in the amounts, and from the insurers, as may be necessary or desirable.

Subd. 7. LOAN TERMS; MODIFICATION. It may consent, whenever it considers it necessary or desirable in the fulfillment of its purpose, to the modification of the rate of interest, time of payment, installment of principal or interest, or other term, of a contract or agreement to which the authority is a party.

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Subd. 8. LOAN PAYMENTS; INTEREST AND AMORTIZATION. It may establish and collect reasonable interest and amortization payments on loans, and in connection with them may establish and collect or authorize the collection of reasonable fees and charges or require money to be placed in escrow, sufficient to provide for the payment and security of its bonds, notes, commitments and other obligations and for their servicing, to provide reasonable allowances for or insurance against losses which may be incurred and to cover the cost of issuance of obligations and technical, consultative, and project assistance services.

Subd. 9. INVESTMENTS. (a) It may cause any money not required for immediate disbursement, including the general reserve account, to be invested in direct obligations of or obligations guaranteed as to principal and interest by the United States, or in insured savings accounts, up to the amount of the insurance, in any institution the accounts of which are insured by the federal savings and loan insurance corporation or to be deposited in a savings or other account in a bank insured by the federal deposit insurance corporation or to be invested in time certificates of deposit issued by a bank insured by the federal deposit insurance corporation and maturing within one year or less and in the investments described in section 11A.24, subdivision 4, except clause (d) of subdivision 4. It may deposit money in excess of the amount insured with security as provided in chapter 118.

(b) Notwithstanding paragraph (a), it may invest and deposit money into accounts established pursuant to resolutions or indentures securing its bonds or notes in investments and deposit accounts or certificates, and with security, agreed upon with the holders or a trustee for the holders.

Subd. 10. CONSULTATIVE AND TECHNICAL SERVICES. It may provide general consultative and technical services to assist in financing the entities to which loans may be made. It may enter into agreements or other transactions concerning the receipt or provision of those services.

Subd. 11. FINANCIAL INFORMATION. Financial information, including credit reports, financial statements and net worth calculations, received or prepared by the authority regarding an authority loan, financial assistance, or insurance is private data with regard to data on individuals as defined in section 13.02, subdivision 12 and nonpublic data with regard to data not on individuals as defined in section 13.02, subdivision 9.

Subd. 12. APPROPRIATIONS; GIFTS; GRANTS. The authority may accept appropriations, gifts, grants, bequests, and devises and use or dispose of them for its purposes. All gifts, grants, bequests, and revenues from those sources are appropriated to the authority.

Subd. 13. PROCEEDS APPROPRIATED TO AUTHORITY. Proceeds of the authority's bonds, notes, and other obligations; amounts granted or appropriated to the authority for the making or purchase or the insurance or guaranty of loans or for bond reserves; income from investment; money in the funds; and all revenues from loans, fees, and charges of the authority including rentals, royalties, dividends, or other proceeds in connection with technology-related

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products, energy conservation products, or other equipment are annually appropriated to the authority for the accomplishment of its corporate purposes and must be spent, administered, and accounted for in accordance with the applicable provisions of all bond and note resolutions, indentures, and other instruments, contracts, and agreements of the agency. Notwithstanding section 16A.28, these appropriations are available until expended.

Subd. 14. GENERAL PURPOSE. The authority may do all things necessary and proper to fulfill its purpose.

Sec. 30. REPEALER.

Minnesota Statutes 1986, section 116.167, is repealed.

Sec. 31. APPROPRIATION.

\$800,000 is appropriated from the economic development fund to the commissioner of energy and economic development to administer programs under the Minnesota public facilities authority. \$400,000 is for fiscal year 1988 and \$400,000 is for fiscal year 1989.

Sec. 32. EFFECTIVE DATE.

Sections 1, 2, 4, 5, 6, 8, 23, and 28, subdivision 1, are effective on July 1, 1988.

Section 9 is repealed July 1, 1988.

ARTICLE 4

COMMUNITY DEVELOPMENT

Section 1. [116J.980] COMMUNITY DEVELOPMENT DIVISION.

Subdivision 1. DUTIES. The community development division is a division within the department of energy and economic development. It shall:

(1) be responsible for administering all state community development and assistance programs, including the economic recovery fund, the outdoor recreation grant program, the rural development board programs, the community development corporation program, the urban revitalization program, the Minnesota public facilities authority loan and grant programs, and the enterprise zone program;

(2) be responsible for state administration of federally funded community development and assistance programs, including the small cities development grant program and land and water conservation program;

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(3) provide technical assistance to rural communities for community development in cooperation with regional development commissions;

(4) coordinate the development and review of state rural development policies;

(5) provide staff and consultant services to the rural development board;
and

(6) be responsible for coordinating community assistance and development programs in cooperation with regional development commissions.

Subd. 2. GENERAL COMPLEMENT AUTHORITY. The community development division may combine all related state and federal complement positions into general fund positions, to carry out the responsibilities under subdivision 1. The number of general fund positions must not exceed the aggregate number of all state and federal positions that are to be combined. Records of the actual number of employee hours charged to each state and federal account must be maintained for each general fund position.

Sec. 2. [116J.981] MAIN STREET PROGRAM.

The commissioner shall develop and administer a main street program to assist cities in the revitalization of their businesses. The purpose of the program is to strengthen local organization and local management of business districts so that cities become more self-reliant and not dependent on future state financial assistance. The staff dedicated for this program shall assist cities that request assistance in the following manner:

(1) improving the organization of a city's business district including the leadership skills of business owners and city officials;

(2) establishing a marketing strategy to promote a city's business district to residents of the surrounding trade area;

(3) providing technical assistance in the design and rehabilitation of buildings in a city's business district including historic preservation; and

(4) establishing a strategy to strengthen existing businesses, recruit new businesses, diversify the mix of businesses, and develop vacant property in a city's business district.

Sec. 3. [116J.982] COMMUNITY DEVELOPMENT CORPORATIONS.

Subdivision 1. DEFINITIONS. For the purposes of this section, the terms in this subdivision have the meanings given them:

(a) "Commissioner" means the commissioner of energy and economic development.

(b) "Economic development region" means an area so designated in the governor's executive order number 60, dated June 12, 1970, as amended.

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(c) "Federal poverty level" means the income level established by the United States Community Services Administration in Code of Federal Regulations, title 45, section 1060.2-2.

(d) "Low income" means an annual income below the federal poverty level.

Subd. 2. ADMINISTRATION. The commissioner shall administer this section and shall enforce the rules related to the community development corporations adopted by the commissioner. The commissioner may amend, suspend, repeal or otherwise modify these rules as provided for in chapter 14.

Subd. 3. GRANTS; CORPORATIONS ELIGIBLE. (a) The commissioner shall designate a community development corporation as eligible to receive grants under this section if the corporation is a nonprofit corporation incorporated under chapter 317 and meets the other criteria in this subdivision.

(b) The corporation, in its articles of incorporation or bylaws, shall designate a specific geographic community within which it will operate. As least ten percent of the population within the designated community must have low incomes. Within the metropolitan area as defined in section 473.121, subdivision 2, a designated community must be an identifiable neighborhood or a combination of neighborhoods or home rule charter or statutory cities, townships, unincorporated areas, or combinations of those entities. Outside the metropolitan area, designated communities, so far as possible, may not cross existing economic development boundaries. If a proposed geographic area overlaps the designated community of a community development corporation existing before August 1, 1987, the proposed community development corporation shall obtain the written consent of the existing community development corporation before the proposed corporation may be designated as eligible to receive grants under this section.

(c) The corporation shall limit voting membership to residents of its designated area.

(d) The corporation shall have a board of directors with 15 to 30 members unless the corporation can demonstrate to the satisfaction of the commissioner that a smaller or larger board is more advantageous. At least 40 percent of the directors must have incomes that do not exceed 80 percent of the county median family income or 80 percent of the statewide median family income as determined by the state demographer, whichever is less, and the remaining directors must be members of the business or financial community and the community at large. To the greatest extent possible, and at least 60 percent of, the directors must be residents of the designated community. Directors who meet the income limitations of this paragraph must be elected by the members of the corporation. The remaining directors may be elected by the members or appointed by the directors who meet the income limitations of this paragraph.

(e) The corporation shall hire low-income residents of the designated community to fill nonmanagerial and nonprofessional positions.

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(f) The corporation shall demonstrate that it has or will have the technical skills to analyze projects, that it is familiar with other available public and private funding sources and economic development programs, and that it is capable of packaging economic development projects.

Subd. 4. GRANT APPROVAL FOR PROJECTS. The commissioner shall approve a grant to a community development corporation only for a project carried on within the designated community, except when the corporation demonstrates that a project carried on outside will have a significant impact inside the designated community.

Subd. 5. USE OF GRANT. The commissioner may approve a grant to a community development corporation for planning, including organization of the corporation, training of the directors, creation of a comprehensive community economic development plan, and development of a proposal for a venture grant, or for establishment of a business venture, including assistance to an existing business venture, purchase of partial or full ownership of a business venture, or development of resources or facilities necessary for the establishment of a business venture.

Subd. 6. ASSIGNEE. The commissioner must be named as an assignee of the rights of a state-funded community development corporation on any loan or other evidence of debt provided by a community development corporation to a private enterprise. The assignment of rights must provide that it will be effective upon the dormancy or cessation of existence of the community development corporation. "Dormancy" for the purpose of this section means the continuation of the corporation in name only without any functioning officers or activities. Upon the cessation of the activities of a state-funded community development corporation, any assigned money paid to the commissioner must be deposited in the state treasury and credited to the general fund.

Subd. 7. FACTORS FOR GRANT APPROVAL. Factors considered by the commissioner in approving a grant to a community development corporation must include the creation of employment opportunities, the maximization of profit, and the effect on securing money from sources other than the state.

Subd. 8. PROHIBITION. Grants under this section are not available for programs conducted by churches or religious organizations or for securing or developing social services.

Subd. 9. NO EXCLUSION. A person may not be excluded from participation in a program funded under this section because of race, color, religion, sex, age, or national origin.

Sec. 4. TRANSFER OF RESPONSIBILITIES.

Subdivision 1. COMMUNITY DEVELOPMENT CORPORATIONS. The responsibilities of the Minnesota energy and economic development authority for community development corporations under Minnesota Statutes, section

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116M.04, are transferred under Minnesota Statutes, section 15.039, to the commissioner of energy and economic development.

Subd. 2. OTHER PROGRAMS. The main street program, the Minnesota community improvement program, the governor's design team, and the Minnesota beautiful program are transferred under Minnesota Statutes, section 15.039, from the state planning agency to the department of energy and economic development. The four incumbents of the state planning agency responsible for the administration of these programs are transferred to the department of energy and economic development.

Sec. 5. **REPEALER.**

Minnesota Statutes, section 116M.04, is repealed.

Sec. 6. **EFFECTIVE DATE.**

This article is effective July 1, 1987.

ARTICLE 5

**MINNESOTA ENERGY AND ECONOMIC DEVELOPMENT
AUTHORITY**

Section 1. Minnesota Statutes 1986, section 15.039, is amended by adding a subdivision to read:

Subd. 5a. OBLIGATIONS. The new agency is the legal successor in all respects of the agency whose responsibilities are transferred. The bonds, resolutions, contracts, and liabilities of the agency whose responsibilities are transferred become the bonds, resolutions, contracts, and liabilities of the new agency.

Sec. 2. Minnesota Statutes 1986, section 16A.80, subdivision 2a, is amended to read:

Subd. 2a. **EXEMPT AGENCIES.** This section does not apply to:

- (1) the housing finance agency;
- (2) the state board of investment;
- (3) the iron range resources and rehabilitation board;
- (4) the higher education coordinating board; and
- (5) the higher education facilities authority; and
- ~~(6) the energy and economic development authority.~~

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Sec. 3. [116.55] WASTE TIRE RECYCLING LOANS AND GRANTS.

The pollution control agency may make waste tire recycling loans to businesses. Applications for the loans are not complete unless the waste tire recycling project for which the loan is to be made is certified to be technically feasible by the director of the pollution control agency. The agency may make grants from the waste tire recycling account for studies necessary to demonstrate the technical and economic feasibility of a proposed waste tire recycling project. A grant must be less than \$30,000 and may not exceed 75 percent of the costs of the study. The agency shall adopt rules for administration of waste tire recycling grants and loans.

Sec. 4. RESPONSIBILITIES TRANSFERRED TO POLLUTION CONTROL AGENCY.

The responsibilities for the waste tire recycling loan and grant program under section 116M.07, subdivision 3, are transferred from the Minnesota energy and economic development authority to the pollution control agency. Minnesota Statutes, section 15.039, applies to the transfer of responsibilities.

Sec. 5. TRANSFER OF RESPONSIBILITIES.

The responsibilities of the Minnesota energy and economic development authority that are not transferred to any other agency are transferred to the commissioner of energy and economic development under Minnesota Statutes, section 15.039.

Sec. 6. REPEALER.

Minnesota Statutes 1986, sections 116M.01; 116M.02; 116M.03; 116M.06; 116M.07; 116M.08; 116M.09; 116M.10; 116M.105; and 116M.13, are repealed.

Sec. 7. EFFECTIVE DATE.

This article is effective July 1, 1987.

ARTICLE 6**URBAN REVITALIZATION PROGRAMS**

Section 1. Minnesota Statutes 1986, section 281.17, is amended to read:

281.17 PERIOD FOR REDEMPTION.

The period of redemption for all lands sold to the state at a tax judgment sale shall be three years from the date of sale to the state of Minnesota if the land is within an incorporated area unless it is: (a) nonagricultural homesteaded land as defined in section 273.13, subdivision 22, (b) homesteaded agricultural

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land as defined in section 273.13, subdivision 23, paragraph (a), or (c) seasonal recreational land as defined in section 273.13, subdivision 27, paragraph (a), or subdivision 22, paragraph (c), in which event the period of redemption is five years from the date of sale to the state of Minnesota.

The period of redemption for homesteaded lands as defined in section 273.13, subdivision 22, located in a targeted neighborhood as defined in section 4 and sold to the state at a tax judgment sale is two years from the date of sale. The period of redemption for other lands in a targeted neighborhood as defined in section 4 and sold to the state at a tax judgment sale is one year from the date of sale.

The period of redemption for all other lands sold to the state at a tax judgment sale shall be five years from the date of sale.

Sec. 2. Minnesota Statutes 1986, section 429.061, subdivision 2, is amended to read:

Subd. 2. **ADOPTION; INTEREST.** At such meeting or at any adjournment thereof the council shall hear and pass upon all objections to the proposed assessment, whether presented orally or in writing. The council may amend the proposed assessment as to any parcel and by resolution adopt the same as the special assessment against the lands named in the assessment roll. Notice of any adjournment of the hearing shall be adequate if the minutes of the meeting so adjourned show the time and place when and where the hearing is to be continued.

The council may consider any objection to the amount of a proposed assessment as to a specific parcel of land at an adjourned hearing upon further notice to the affected property owner as it deems advisable. At the adjourned hearing the council or a committee of it may hear further written or oral testimony on behalf of the objecting property owner and may consider further written or oral testimony from appropriate city officials and other witnesses as to the amount of the assessment. The council or committee shall prepare a record of the proceedings at the adjourned hearing and written findings as to the amount of the assessment. The amount of the assessment as finally determined by the council shall become a part of the adopted assessment roll. No appeal may be taken as to the amount of any assessment adopted under this section unless written objection signed by the affected property owner is filed with the municipal clerk prior to the assessment hearing or presented to the presiding officer at the hearing. All objections to the assessments not received at the assessment hearing in the manner prescribed by this subdivision are waived, unless the failure to object at the assessment hearing is due to a reasonable cause.

If the adopted assessment differs from the proposed assessment as to any particular lot, piece, or parcel of land, the clerk must mail to the owner a notice stating the amount of the adopted assessment. Owners must also be notified by mail of any changes adopted by the council in interest rates or prepayment requirements from those contained in the notice of the proposed assessment.

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The assessment, with accruing interest, shall be a lien upon all private and public property included therein, from the date of the resolution adopting the assessment, concurrent with general taxes; but the lien shall not be enforceable against public property as long as it is publicly owned, and during such period the assessment shall be recoverable from the owner of such property only in the manner and to the extent provided in section 435.19. Except as provided below, all assessments shall be payable in equal annual installments extending over such period, not exceeding 30 years, as the resolution determines, payable on the first Monday in January in each year, but the number of installments need not be uniform for all assessments included in a single assessment roll if a uniform criterion for determining the number of installments is provided by the resolution. Assessments on property located in a targeted neighborhood as defined in section 4 may be payable in variable annual installments if the resolution provides for a variable payment. The first installment of each assessment shall be included in the first tax rolls completed after its adoption and shall be payable in the same year as the taxes contained therein; except that the payment of the first installment of any assessment levied upon unimproved property may be deferred until a designated future year, or until the platting of the property or the construction of improvements thereon, upon such terms and conditions and based upon such standards and criteria as may be provided by resolution of the council. If special assessments against the property have been deferred pursuant to this subdivision, the governmental unit shall file with the county recorder in the county in which the property is located a certificate containing the legal description of the affected property and of the amount deferred. In any event, every assessment the payment of which is so deferred, when it becomes payable, shall be divided into a number of installments such that the last installment thereof will be payable not more than 30 years after the levy of the assessment. All assessments shall bear interest at such rate as the resolution determines, not exceeding eight percent per annum, except that the rate may in any event equal the average annual interest rate on bonds issued to finance the improvement for which the assessments are levied. To the first installment of each assessment shall be added interest on the entire assessment from a date specified in the resolution levying the assessment, not earlier than the date of the resolution, until December 31 of the year in which the first installment is payable, and to each subsequent installment shall be added interest for one year on all unpaid installments; or alternatively, any assessment may be made payable in equal annual installments including principal and interest, each in the amount annually required to pay the principal over such period with interest at such rate as the resolution determines, not exceeding the maximum period and rate specified above. In the latter event no prepayment shall be accepted under subdivision 3 without payment of all installments due to and including December 31 of the year of prepayment, together with the original principal amount reduced only by the amounts of principal included in such installments, computed on an annual amortization basis. When payment of an assessment is deferred, as authorized in this subdivision, interest thereon for the period of deferment may be made payable annually at the same times as the principal installments of the assessment would have been payable if not deferred; or interest for this period may be

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added to the principal amount of the assessment when it becomes payable; or, if so provided in the resolution levying the assessment, interest thereon to December 31 of the year before the first installment is payable may be forgiven.

Sec. 3. Minnesota Statutes 1986, section 462.445, subdivision 1, is amended to read:

Subdivision 1. **SCHEDULE OF POWERS.** An authority shall be a public body corporate and politic and shall have all the powers necessary or convenient to carry out the purposes of sections 462.415 to 462.705 (but not the power to levy and collect taxes or special assessments except as provided in sections 462.515 to 462.545 with respect to redevelopment projects only) including the following powers in addition to others granted in these sections:

(1) To sue and be sued; to have a seal, which shall be judicially noticed, and to alter the same at pleasure; to have perpetual succession; and to make, and from time to time to amend and repeal, rules and regulations not inconsistent with these sections;

(2) To employ an executive director, technical experts, and such officers, agents, and employees, permanent and temporary, as it may require, and determine their qualifications, duties, and compensation; for such legal services as it may require, to call upon the chief law officer of the municipality or to employ its own counsel and legal staff; so far as practicable, to use the services of local public bodies, in its area of operation, such local public bodies, if requested, to make such services available;

(3) To delegate to one or more of its agents or employees such powers or duties as it may deem proper;

(4) Within its area of operation to undertake, prepare, carry out, and operate projects and to provide for the construction, reconstruction, improvement, extension, alteration, or repair of any project or part thereof;

(5) Subject to the provisions of section 462.511, to give, sell, transfer, convey, or otherwise dispose of real or personal property or any interest therein and to execute such leases, deeds, conveyances, negotiable instruments, purchase agreements, and other contracts or instruments, and take such action, as may be necessary or convenient to carry out the purposes of these sections;

(6) Within its area of operation to acquire real or personal property or any interest therein by gifts, grant, purchase, exchange, lease, transfer, bequest, devise, or otherwise, and by the exercise of the power of eminent domain, in the manner provided by Minnesota Statutes 1945, chapter 117, and any amendments thereof or supplements thereto, to acquire real property which it may deem necessary for its purposes under these sections, after the adoption by it of a resolution declaring that the acquisition of the real property is necessary to eliminate one or more of the conditions found to exist in the resolution adopted pursuant to section 462.425 or found to exist by section 462.415, subdivision 5,

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or is necessary to carry out a redevelopment project as defined in section 462.421, subdivision 13;

(7) Within its area of operation, and without the adoption of an urban renewal plan, to acquire, by all means as set forth in clause (6) of this subdivision, including by the exercise of the power of eminent domain, in the manner provided by chapter 117, and without the adoption of a resolution provided for in subdivision 1, clause (6), real property, and to demolish, remove, rehabilitate or reconstruct the buildings and improvements or construct new buildings and improvements thereon, or to so provide through other means as set forth in Laws 1974, chapter 228, or to grade, fill and construct foundations or otherwise prepare the site for improvements, and to dispose of said property pursuant to section 462.525, provided that the provisions of section 462.525 requiring conformance to an urban renewal plan shall not apply, and to finance such activities by means of the redevelopment project fund or by means of tax increments or tax increment bonds or by the methods of financing provided for in section 462.545 or by means of contributions from the municipality provided for in section 462.581, clause (9), or by any combination of such means; provided that, real property with buildings or improvements thereon shall only be acquired when the buildings or improvements are substandard; and provided further that the exercise of the power of eminent domain under this clause shall be limited to real property which contains buildings and improvements which are vacated and substandard. For the purpose of this subparagraph, substandard buildings or improvements mean hazardous buildings as defined in section 463.15, subdivision 3, or buildings or improvements that are dilapidated or obsolescent, faultily designed, lack adequate ventilation, light, or sanitary facilities, or any combination of these or other factors that are detrimental to the safety or health of the community.

(8) Within its area of operation to determine the level of income constituting low or moderate family income. Such income level shall be that level below which there is not available within the area of operation a substantial supply of decent, safe and sanitary housing provided by private enterprise without subsidy at prices or rents within the financial means of persons and families of such incomes. The authority may establish various income levels for various family sizes. In making its determination the authority may consider income levels which may be established by the federal housing administration or a similar or successor federal agency for the purpose of federal loan guarantees or subsidies for persons of low or moderate income. The authority may use such determination as a basis for the maximum amount of income for admissions to housing development projects owned or operated by it;

(9) To provide in federally assisted projects such relocation payments and assistance as may be necessary to comply with the requirements of the Federal Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970, and any amendments or supplements thereto.

Sec. 4. DEFINITIONS.

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

Subdivision 1. APPLICABILITY. The definitions in this section apply to sections 4 to 10.

Subd. 2. CITY. "City" means the city of Minneapolis or the city of Saint Paul. For each city, a port authority, housing and redevelopment authority, or other agency or instrumentality, the jurisdiction of which is the territory of the city, is included within the meaning of city.

Subd. 3. CITY COUNCIL. "City council" means either the city council of Minneapolis or the city council of Saint Paul.

Subd. 4. CITY MATCHING MONEY. "City matching money" means the money of a city specified in a revitalization and financing program to be spent to implement a revitalization program. The sources of city matching money may include:

(1) money from the general fund or a special fund of a city used to implement a revitalization program;

(2) money paid or repaid to a city from the proceeds of a grant that a city has received from the federal government, a profit or nonprofit corporation, or another entity or individual, that is to be used to implement a revitalization program;

(3) tax increments received by a city under sections 273.71 to 273.78 or other law, if eligible, to be spent in the targeted neighborhood;

(4) the greater of the fair market value or the cost to the city of acquiring land, buildings, equipment, or other real or personal property that a city contributes, grants, or loans to a profit or nonprofit corporation, or other entity or individual in connection with the implementation of a revitalization program;

(5) city money to be used to install, reinstall, repair, or improve the infrastructure facilities of a targeted neighborhood;

(6) money contributed by a city to pay issuance costs or to otherwise provide financial support for revenue bonds or obligations issued by a city for a project or program related to the implementation of a revitalization program;

(7) money derived from fees received by a city in connection with its community development activities that are to be used in implementing a revitalization program.

City matching money does not include:

(1) city money used to provide a service or exercise a function that is ordinarily provided throughout the city, unless an increased level of the service or function is to be provided in a targeted neighborhood in accordance with a revitalization program;

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(2) the proceeds of revenue bonds issued by the city under chapter 458, 462C, 472, or 474; or

(3) administrative expenses that are incurred in connection with the planning or implementation of sections 4 to 10.

Subd. 5. COMMISSIONER. "Commissioner" means the commissioner of energy and economic development.

Subd. 6. LOST UNIT. "Lost unit" means a rental housing unit that is lost as a result of revitalization activities because it is demolished, converted to an owner-occupied unit that is not a cooperative, converted to a nonresidential use, or if the gross rent to be charged exceeds 125 percent of the gross rent charged for the unit six months before the start of rehabilitation.

Subd. 7. TARGETED NEIGHBORHOOD. "Targeted neighborhood" means an area including one or more census tracts as determined and measured by the bureau of census of the United States Department of Commerce that meet the criteria of section 5, subdivision 2, and any additional area designated under section 5, subdivision 3.

Subd. 8. TARGETED NEIGHBORHOOD MONEY. "Targeted neighborhood money" means the money designated in the revitalization program to be used to implement the revitalization program.

Subd. 9. TARGETED NEIGHBORHOOD REVITALIZATION AND FINANCING PROGRAM. "Targeted neighborhood revitalization and financing program," "revitalization program," or "program" means the targeted neighborhood revitalization and financing program adopted in accordance with section 6.

Sec. 5. DESIGNATION OF TARGETED NEIGHBORHOODS.

Subdivision 1. CITY AUTHORITY. A city may by resolution designate targeted neighborhoods within its borders after adopting detailed findings that the designated neighborhoods meet the eligibility requirements in subdivision 2 or 3.

Subd. 2. ELIGIBILITY REQUIREMENTS FOR TARGETED NEIGHBORHOODS. An area within a city is eligible for designation as a targeted neighborhood if the area meets two of the following three requirements:

(a) The area had an unemployment rate that was twice the unemployment rate for the Minneapolis and Saint Paul standard metropolitan statistical area as determined by the 1980 federal decennial census.

(b) The median household income in the area was no more than half the median household income for the Minneapolis and Saint Paul standard metropolitan statistical area as determined by the 1980 federal decennial census.

(c) The area is characterized by residential dwelling units in need of sub-

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stantial rehabilitation. An area qualifies under this clause if 25 percent or more of the residential dwelling units are in substandard condition as determined by the city or 70 percent or more of the residential dwelling units in the area were built before 1940 as determined by the 1980 federal decennial census.

Subd. 3. ADDITIONAL AREA ELIGIBLE FOR INCLUSION IN TARGETED NEIGHBORHOOD. The city may add to the area designated as a targeted neighborhood under subdivision 2 additional area extending up to four contiguous city blocks in all directions from the designated targeted neighborhood. For the purpose of this subdivision, "city block" has the meaning determined by the city.

Sec. 6. TARGETED NEIGHBORHOOD REVITALIZATION AND FINANCING PROGRAM REQUIREMENTS.

Subdivision 1. COMPREHENSIVE REVITALIZATION AND FINANCING PROGRAM. (a) For each targeted neighborhood for which a city requests state financial assistance under section 7, the city must prepare a comprehensive revitalization and financing program that includes the following:

- (1) the revitalization objectives of the city for the targeted neighborhood;
- (2) the specific activities or means by which the city intends to pursue and implement the revitalization objectives;
- (3) the extent to which the activities identified in clause (2) will benefit low and moderate income families, will alleviate the blighted condition of the targeted neighborhood, or will otherwise assist in the revitalization of the targeted neighborhood;
- (4) a statement of the intended outcomes to be achieved by implementation of the revitalization program, how the outcomes will be measured both qualitatively and quantitatively, and the estimated time over which they will occur; and
- (5) a financing program and budget that identifies the financial resources necessary to implement the revitalization program.

(b) The financing program and budget must include the following items:

- (1) the estimated total cost to implement the revitalization program;
- (2) the estimated cost to implement each activity in the revitalization program identified in paragraph (a), clause (2);
- (3) the estimated amount of financial resources that will be available from all sources other than from the appropriation available under section 7 to implement the revitalization program;
- (4) the estimated amount of the appropriation available under section 7 that will be necessary to implement the revitalization program;

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(5) a description of the activities identified in the revitalization program for which the state appropriation will be used and the time or times at which the state appropriation will be committed or spent; and

(6) a statement of how the city intends to meet the requirement for a financial contribution matching the state appropriation from city matching money in accordance with section 7, subdivision 3.

Subd. 2. TARGETED NEIGHBORHOOD PARTICIPATION IN REVITALIZATION PROGRAM DEVELOPMENT. The city shall develop a process to consult the residents in the targeted neighborhood concerning the development, drafting, and implementation of the revitalization program. The process may include the establishment of an advisory board in each city. The process must include at least one public hearing in addition to a public hearing held by the advisory board.

Subd. 3. ADVISORY BOARD. The governing body of the city may establish a nine-member advisory board to assist the city in implementing the revitalization program. The advisory board shall consist of two city council members appointed by the city council, one county commissioner appointed by the county board of the county in which the city is located, two legislators appointed by the city legislative delegation, and four residents who reside in a targeted neighborhood appointed by the city council. The advisory board shall advise the city on the preparation of the revitalization program including the conversion from absent-owner rental housing to home ownership, the promotion of commercial and industrial growth in targeted neighborhoods, and the integration of human service programs and the redevelopment in targeted neighborhoods.

Subd. 4. PRELIMINARY CITY REVIEW; STATE AGENCY REVIEW. Before adoption of the revitalization program under subdivision 5, the city must submit a draft program to the commissioner and the Minnesota housing finance agency for their comment. The city may not adopt the revitalization program until comments have been received from the state agencies or 30 days have elapsed without response after the program was sent to them. Comments received by the city from the state agencies within the 30-day period must be responded to in writing by the city before adoption of the program by the city.

Subd. 5. CITY APPROVAL. The city may adopt the revitalization program only after holding a public hearing after the program has been prepared. Notice of the hearing must be provided in a newspaper of general circulation in the city and in the targeted neighborhood not less than ten days nor more than 30 days before the date of the hearing.

Subd. 6. PROGRAM CERTIFICATION. A certification by the city that a revitalization program has been approved by the city council for the targeted neighborhood must be provided to the commissioner together with a copy of the program. A copy of the program must also be provided to the Minnesota housing finance agency.

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Subd. 7. REVITALIZATION PROGRAM MODIFICATION. The revitalization program may be modified at any time by the city council after a public hearing, notice of which is published in a newspaper of general circulation in the city and in the targeted neighborhood not less than ten days nor more than 30 days before the date of the hearing. If the city council determines that the proposed modification is a significant modification to the program originally certified under subdivision 6, it must implement the revitalization program approval and certification process of subdivisions 3 to 6 for the proposed modification.

Sec. 7. PAYMENT; CITY MATCHING MONEY; DRAWDOWN; USES OF STATE MONEY.

Subdivision 1. PAYMENT OF STATE MONEY. Upon receipt from a city of the certification that a revitalization program has been adopted or modified, the commissioner shall, within 30 days, pay to the city the amount of state money identified as necessary to implement the revitalization program or program modification. State money may be paid to the city only to the extent that the appropriation limit for the city specified in subdivision 2 is not exceeded. Once the state money has been paid to the city, it becomes targeted neighborhood money for use by the city in accordance with an adopted revitalization program and subject only to the restrictions on its use in sections 4 to 10.

Subd. 2. ALLOCATION. A city may receive a part of the appropriations made available that is the proportion that the population of the city bears to the combined population of Minneapolis and Saint Paul. One city may agree to reduce its entitlement amount so that the other may receive an amount more than its entitlement amount. The population of each city for the purposes of this subdivision is determined according to the most recent estimates available to the commissioner. Interest earned by a city from money paid to the city must be repaid to the commissioner annually unless the revitalization program identifies the interest as necessary to implement the revitalization program and the requirement for city matching money is satisfied with respect to the interest.

Subd. 3. CITY MATCHING MONEY; DRAWDOWN OF STATE MONEY; RESTRICTION ON USE OF STATE MONEY. A city may spend state money only if the revitalization program identifies city matching money to be used to implement the program in an amount equal to the state appropriation. A city must keep the state money in a segregated fund for accounting purposes. No state money may be used to pay the general administrative expenses of a city that are incurred in connection with the planning or implementation of sections 4 to 10.

Sec. 8. CITY POWERS AND ELIGIBLE USES OF TARGETED NEIGHBORHOOD MONEY.

Subdivision 1. CONSOLIDATION OF EXISTING POWERS IN TARGETED NEIGHBORHOODS. A city may exercise any of its corporate powers within a targeted neighborhood including, but not limited to, all of the powers

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enumerated and granted by chapters 458, 462, 462C, 472, 472A, and 474. For the purposes of chapter 458, a targeted neighborhood is considered an industrial development district. A city may exercise the powers of chapter 458 in conjunction with, and in addition to, exercising the powers granted by chapters 462 and 462C in order to promote and assist housing construction and rehabilitation within a targeted neighborhood. For the purposes of section 462C.02, subdivision 9, a targeted neighborhood is considered a "targeted area."

Subd. 2. GRANTS AND LOANS. In addition to the authority granted by other law, a city may make grants and loans to individuals, for-profit and nonprofit corporations, and other organizations to implement a revitalization program. The grants and loans must contain the terms concerning use of money, repayment, and other conditions the city deems proper to implement a revitalization program.

Subd. 3. ELIGIBLE USES OF TARGETED NEIGHBORHOOD MONEY. The city may spend targeted neighborhood money for any purpose authorized by subdivision 1 or 2. Use of targeted neighborhood money must be authorized in a revitalization program.

Sec. 9. HAZARDOUS BUILDING PENALTY.

A city may assess a penalty equal to one percent of the assessed value of a building located in a targeted neighborhood defined in section 4 that the city determined to be hazardous as defined in section 463.15, subdivision 3. The city shall send a written notice to the address to which the property tax statement is sent at least 90 days before it may assess the penalty. If the owner of the building has not paid the penalty and fixed the property within 30 days after receiving notice of the penalty, the penalty is considered delinquent and is increased by 25 percent each 60 days the penalty is not paid and the property remains hazardous. For the purposes of this section, a penalty that is delinquent is considered a delinquent property tax and subject to Minnesota Statutes, chapters 279, 280, and 281, in the same manner as delinquent property taxes.

Sec. 10. ANNUAL AUDIT AND REPORT.

Subdivision 1. ANNUAL FINANCIAL AUDIT. In 1988 and subsequent years, at the end of each calendar year, the legislative auditor shall conduct a financial audit to review the spending of state money under sections 4 to 10. Before spending state money to implement a revitalization program, the city must consult with the legislative auditor to determine appropriate accounting methods and principles that will assist the legislative auditor in conducting its financial audit. The results of the financial audit must be submitted to the legislative audit commission, the commissioner, and the Minnesota housing finance agency.

Subd. 2. ANNUAL REPORT. A city that begins to implement a revitalization program in a calendar year must, by March 1 of the succeeding calendar year, provide a detailed report on the revitalization program or programs being implemented in the city. The report must describe the status of the program

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implementation and analyze whether the intended outcomes identified in section 6, subdivision 1, paragraph (a), clause (4), are being achieved. The report must include at least the following:

(1) the number of housing units removed, created, lost, replaced, relocated, and assisted as a result of the program. The level of rent of the units and the income of the households affected must be included in the report;

(2) the number and type of commercial establishments removed, created, and assisted as a result of a revitalization program. The report must include information regarding the number of new jobs created by category, whether the jobs are full time or part time, and the salary or wage levels of both new and expanded jobs in the affected commercial establishments;

(3) a description of a statement of the cost of the public improvement projects that are part of the program and the number of jobs created per each \$20,000 of funds expended on commercial projects and applicable public improvement projects;

(4) the increase in the assessed valuation for the city as a result of the assistance to commercial and housing assistance; and

(5) the amount of private investment that is a result of the use of public money in a targeted neighborhood.

The report must be submitted to the commissioner, the Minnesota housing finance agency, and the legislative audit commission, and must be available to the public.

Sec. 11. APPROPRIATION; DISTRIBUTION.

\$9,000,000 is appropriated from the general fund to the commissioner of energy and economic development for payment to the cities of Minneapolis and Saint Paul as provided in section 7. \$4,500,000 is for fiscal year 1988 and \$4,500,000 is for fiscal year 1989.

Sec. 12. REPEALER.

Laws 1969, chapters 833 and 984, are repealed.

Sec. 13. EFFECTIVE DATE; LOCAL APPROVAL.

Sections 4 to 11 are effective for the city of Minneapolis the day after compliance with section 645.021, subdivision 3, by the governing body of the city of Minneapolis.

Sections 4 to 11 are effective for the city of Saint Paul the day after compliance with section 645.021, subdivision 3, by the governing body of the city of Saint Paul.

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ARTICLE 7
NATURAL RESOURCES

Section 1. [93.001] POLICY FOR MINERAL DEVELOPMENT.

It is the policy of the state to provide for the diversification of the state's mineral economy through long-term support of mineral exploration, evaluation, development, production, and commercialization.

Sec. 2. [93.002] MINERAL COORDINATING COMMITTEE.

Subdivision 1. ESTABLISHMENT. The mineral coordinating committee is established to plan for diversified mineral development. The mineral coordinating committee consists of the director of the minerals division of the department of natural resources, the director of the Minnesota geological survey, the director of the University of Minnesota mineral resources research center, and the director of the natural resources research institute. The director of the minerals division of the department of natural resources shall serve as chair. A member of the committee may designate another person of the member's organization to act in the member's place. The commissioner of natural resources shall provide staff and administrative services necessary for the committee's activities.

Subd. 2. MINERAL DIVERSIFICATION PLAN. The mineral coordinating committee shall prepare and adopt a ten-year plan for mineral diversification. The plan must include a strategy to:

- (1) increase the knowledge of the state's mineral potential;
- (2) stimulate the development of mineral resources in the state; and
- (3) promote basic minerals research.

The plan must also include a two-year plan that establishes funding priorities for the minerals programs under subdivision 3. The funding priorities must be updated every two years.

Subd. 3. MINERALS PROGRAMS. The mineral diversification plan must address at least the following: aeromagnetic surveys, glacial till geochemistry surveys, geologic drilling and mapping, LMIC minerals data base, drill core examination and assay, industrial minerals characterization and research, bed-rock geochemistry, nonferrous minerals research, reclamation studies, economic evaluation of mineral resources, improved geophysical and remote sensing base, acquisition of sampling equipment and analyses, determination of mineral rights ownership, ferrous minerals research, evaluation of mineral resource occurrence, evaluation of value added processes, ore deposit modeling, and basic mineral research.

Subd. 4. SUBMISSION OF PLAN AND FUNDING PRIORITIES. (a) The minerals coordinating committee shall submit the minerals diversification plan to the legislature by December 31, 1987.

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(b) By January 15 of each odd-numbered year, the minerals coordinating committee shall submit the two-year funding priority plan required under subdivision 2 to the chairs of the house appropriations and environment and natural resources committees and the chairs of the senate finance and environment and natural resources committees.

Sec. 3. APPROPRIATION.

Subdivision 1. MINERALS PROGRAMS. \$1,000,000 is appropriated from the general fund to the commissioner of natural resources to accelerate geological mapping of the state, accelerate evaluation of the state's mineral potential and other natural resources, and provide analytical support for the minerals industry according to the mineral diversification plan or a minerals industry acceleration plan developed by the minerals coordinating committee. \$500,000 is for fiscal year 1988 and \$500,000 is for fiscal year 1989.

Subd. 2. COUNTY FORESTRY ASSISTANCE PROGRAMS. \$1,750,000 is appropriated from the general fund to the commissioner of natural resources for grants to counties or groups of counties for county forestry assistance programs. \$875,000 is for fiscal year 1988 and \$875,000 is for fiscal year 1989. The commissioner of natural resources shall make the appropriation available to counties with the amount proportional to the acreage of commercial tax-forfeited forested land managed by the county. As a condition of receiving money, the commissioner of natural resources shall require work plans, semiannual progress reports, and final project reports.

Subd. 3. FORESTRY MANAGEMENT. \$250,000 is appropriated from the general fund to the commissioner of natural resources for implementation of the forestry management plan required in Minnesota Statutes, section 89.011, on land that is not managed for the school trust fund. \$125,000 is for fiscal year 1988 and \$125,000 is for fiscal year 1989.

Sec. 4. EFFECTIVE DATE.

This article is effective the day following final enactment.

ARTICLE 8

IRON RANGE RESOURCES AND REHABILITATION

Section 1. [298.2213] NORTHEAST MINNESOTA ECONOMIC DEVELOPMENT FUND.

Subdivision 1. APPROPRIATION. \$4,000,000 is appropriated from the general fund to the commissioner of iron range resources and rehabilitation. \$300,000 of this appropriation must be used in the same manner as money appropriated under Minnesota Statutes, section 298.17.

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Subd. 2. PURPOSE OF EXPENDITURES. The money appropriated in this section may be used for projects and programs for which technological and economic feasibility have been demonstrated and that have the following purposes:

(1) creating and maintaining productive, permanent, skilled employment, including employment in technologically innovative businesses; and

(2) encouraging diversification of the economy and promoting the development of minerals, alternative energy sources utilizing indigenous fuels, forestry, small business, and tourism.

Subd. 3. USE OF MONEY. The money appropriated under this section may be used to provide loans, loan guarantees, interest buy-downs, and other forms of participation with private sources of financing, provided that a loan to a private enterprise must be for a principal amount not to exceed one-half of the cost of the project for which financing is sought, and the rate of interest on a loan must be no less than the lesser of eight percent or the rate of interest set by the Minnesota development board for comparable small business development loans at that time.

Money appropriated in this section must be expended only in or for the benefit of the tax relief area defined in Minnesota Statutes, section 273.134, and as otherwise provided in this section.

Subd. 4. PROJECT APPROVAL. The board shall by August 1, 1987, and each year thereafter prepare a list of projects to be funded from the money appropriated in this section with necessary supporting information including descriptions of the projects, plans, and cost estimates. A project must not be approved by the board unless it finds that:

(1) the project will materially assist, directly or indirectly, the creation of additional long-term employment opportunities;

(2) the prospective benefits of the expenditure exceed the anticipated costs; and

(3) in the case of assistance to private enterprise, the project will serve a sound business purpose.

To be proposed by the board, a project must be approved by at least eight iron range resources and rehabilitation board members and the commissioner of iron range resources and rehabilitation. The list of projects must be submitted to the legislative advisory commission for its review. The list with the recommendation of the legislative advisory commission must be submitted to the governor, who shall, by November 15 of each year, approve, disapprove, or return for further consideration, each project. The money for a project may be spent only upon approval of the project by the governor.

The board may submit supplemental projects for approval at any time. Supplemental projects must be submitted to the members of the legislative

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advisory commission for their review and recommendations of further review. If a recommendation is not provided within ten days, no further review by the legislative advisory commission is required, and the governor shall approve or disapprove each project or return it for further consideration. If the recommendation by a member is for further review, the governor shall submit the request to the legislative advisory commission for its review and recommendation. Failure or refusal of the commission to make a recommendation promptly is a negative recommendation.

Subd. 5. ADVISORY COMMITTEES. Before submission to the board of a proposal for a project for expenditure of money appropriated under this section, the commissioner of iron range resources and rehabilitation shall appoint a technical advisory committee consisting of at least seven persons who are knowledgeable in areas related to the objectives of the proposal. If the project involves investment in a scientific research proposal, at least four of the committee members must be knowledgeable in the specific scientific research area relating to the project. Members of the committees must be compensated as provided in Minnesota Statutes, section 15.059, subdivision 3. The board shall not act on a proposal until it has received the evaluation and recommendations of the technical advisory committee.

Subd. 6. USE OF REPAYMENTS AND EARNINGS. Principal and interest received in repayment of loans made under this section must be deposited in the state treasury and are appropriated to the board for the purposes of this section.

Sec. 2. Minnesota Statutes 1986, section 298.292, is amended to read:

298.292 POLICY.

Subdivision 1. PURPOSES. The legislature is cognizant of the severe economic dislocations and widespread unemployment that result when a single industry on which an area is largely dependent, experiences a drastic reduction in activity. The northeast Minnesota economic protection trust fund is hereby created to be devoted to economic rehabilitation and diversification of industrial enterprises where these conditions ensue as the result of the decline of such a single industry. Priority shall be given to using the northeast Minnesota economic protection trust fund for the following purposes:

(a) (1) projects and programs that are designed to create and maintain productive, permanent, skilled employment, including employment in technologically innovative businesses;

(b) (2) projects and programs to encourage diversification of the economy and to promote the development of minerals, alternative energy sources utilizing indigenous fuels, forestry, small business, and tourism; and

(c) (3) projects and programs for which technological and economic feasibility have been demonstrated;

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

(d) Subd. 2. USE OF MONEY. Money in the northeast Minnesota economic protection trust fund may be used for the following purposes:

(1) to provide loans, loan guarantees, interest buy-downs and other forms of participation with private sources of financing, but a loan to a private enterprise shall be for a principal amount not to exceed one-half of the cost of the project for which financing is sought, and the rate of interest on a loan shall be no less than the lesser of eight percent or an interest rate three percentage points less than a full faith and credit obligation of the United States government of comparable maturity, at the time that the loan is approved;

(e) ~~funding~~ (2) to fund reserve accounts established to secure the payment when due of the principal of and interest on bonds issued pursuant to section 298.2211; ~~and~~

(f) (3) to pay in periodic payments or in a lump sum payment any or all of the interest on bonds issued pursuant to chapter 474 for the purpose of constructing, converting, or retrofitting heating facilities in connection with district heating systems or systems utilizing alternative energy sources; and

(4) to invest in a venture capital fund or enterprise that will provide capital to other entities that are engaging in, or that will engage in, projects or programs that have the purposes set forth in subdivision 1. No investments may be made in a venture capital fund or enterprise unless at least two other unrelated investors make investments of at least \$500,000 in the venture capital fund or enterprise, and the investment by the northeast Minnesota economic protection trust fund may not exceed the amount of the largest investment by an unrelated investor in the venture capital fund or enterprise. For purposes of this subdivision, an "unrelated investor" is a person or entity that is not related to the entity in which the investment is made or to any individual who owns more than 40 percent of the value of the entity, in any of the following relationships: spouse, parent, child, sibling, employee, or owner of an interest in the entity that exceeds ten percent of the value of all interests in it. For purposes of determining the limitations under this clause, the amount of investments made by an investor other than the northeast Minnesota economic protection trust fund is the sum of all investments made in the venture capital fund or enterprise during the period beginning one year before the date of the investment by the northeast Minnesota economic protection trust fund.

Money from the trust fund shall be expended only in or for the benefit of the tax relief area defined in section 273.134.

Sec. 3. Minnesota Statutes 1986, section 298.296, subdivision 2, is amended to read:

Subd. 2. **EXPENDITURE OF FUNDS.** Before January 1, 2002, funds may be expended on projects and for administration of the trust fund only from the net interest, earnings, and dividends arising from the investment of the trust at any time, including net interest, earnings, and dividends that have arisen

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prior to July 13, 1982, plus \$10,000,000 made available for use in fiscal year 1983, except that any amount required to be paid out of the trust fund to provide the property tax relief specified in Laws 1977, chapter 423, article X, section 4, and to make school bond payments and payments to recipients of taconite production tax proceeds pursuant to section 298.225, may be taken from the corpus of the trust. On and after January 1, 2002, funds may be expended on projects and for administration from any assets of the trust. Annual administrative costs, not including detailed engineering expenses for the projects, shall not exceed five percent of the net interest, dividends, and earnings arising from the trust in the preceding fiscal year.

Principal and interest received in repayment of loans made pursuant to this section, and earnings on other investments made under section 298.292, subdivision 2, clause (4), shall be deposited in the state treasury and credited to the trust. These receipts are appropriated to the board for the purposes of sections 298.291 to 298.298.

Sec. 4. EFFECTIVE DATE.

Section 2 is effective the day following final enactment.

ARTICLE 9

**MINNESOTA AGRICULTURAL AND ECONOMIC DEVELOPMENT
PROGRAM**

Section 1. Minnesota Statutes 1986, section 41A.01, is amended to read:

41A.01 PURPOSE.

Sections 41A.01 to ~~41A.06~~ 41A.08 provide a ~~framework for an agricultural resource loan guaranty program, the purposes of which are to further the development of the state's agricultural resources and improve the market for its agricultural products and economic development in the state.~~ All credit advanced pursuant to loan guaranty commitments is to be secured by subrogation of the state to mortgage security and other security interests granted to the private lender, in proportion to the amount advanced by the state. A ~~loan guaranty~~ board is established to investigate the feasibility of each project, its conformity to public policy and to environmental standards, the qualifications of the owners, operators, and lenders, and the nature and extent of the security, prior to commitment. The board shall also seek to secure financial participation by private persons not supported by the guaranty, to assure that in these respects each project satisfies and will continue to satisfy criteria which are adequate in the judgment of the board.

Sec. 2. Minnesota Statutes 1986, section 41A.02, subdivision 3, is amended to read:

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

Subd. 3. ~~AGRICULTURAL RESOURCE LOAN GUARANTY MINNESOTA AGRICULTURAL AND ECONOMIC DEVELOPMENT BOARD; BOARD.~~ "Agricultural resource loan guaranty Minnesota agricultural and economic development board" or "board" ~~means~~ consists of the commissioner of finance as chair, the commissioner of agriculture, ~~the commissioner of commerce;~~ the commissioner of energy and economic development, ~~and~~ the director of the pollution control agency, the president of the Greater Minnesota Corporation, and two public members with experience in finance, appointed by the Greater Minnesota Corporation.

Sec. 3. Minnesota Statutes 1986, section 41A.02, subdivision 4, is amended to read:

Subd. 4. ~~AGRICULTURAL RESOURCE LOAN GUARANTY MINNESOTA AGRICULTURAL AND ECONOMIC DEVELOPMENT FUND; GUARANTY DEVELOPMENT FUND.~~ "Agricultural resource loan guaranty Minnesota agricultural and economic development fund" or "guaranty development fund" means the fund created by section 41A.05.

Sec. 4. Minnesota Statutes 1986, section 41A.02, subdivision 6, is amended to read:

Subd. 6. ~~AGRICULTURAL RESOURCE PROJECT; PROJECT.~~ "Agricultural resource project" or "project" means (1) any facility, or portion of a facility, located in the state which is operated or to be operated primarily for the production from agricultural resources of marketable products, (2) buildings, equipment, and land used for the commercial production of turkeys or turkey products, (3) a facility or portion of a facility used for the commercial production of fish or of products made from commercially-produced fish or rough fish, as defined in section 97A.015, subdivision 43, that are not commercially produced, or (4) real or personal property used or useful in connection with a revenue-producing enterprise, or a combination of two or more revenue-producing enterprises engaged in a business, that is not used for the production of livestock, other than poultry, or for the production of crops, plants, or milk. The land in clause (2) is limited to land on which buildings and equipment are situated and immediately surrounding land used for storage, waste disposal, or other functions directly related to the commercial production of turkeys or turkey products at that project site. The land in clause (2) does not include land used for the growing or raising of crops or the grazing of livestock other than poultry. A project includes a facility or portion of a facility for mixing or producing substances to be mixed with other substances for use as a fuel or as a substitute for petroleum or petrochemical feedstocks.

Sec. 5. Minnesota Statutes 1986, section 41A.02, subdivision 11, is amended to read:

Subd. 11. **LENDER.** "Lender" means a corporation or any investment or commercial banking institution, savings and loan institution, insurance company, investment company, ~~or~~ other financial institution or institutional investor

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making, purchasing, or participating in a loan or any part of a loan, or a public entity authorized to make agricultural loans.

Sec. 6. Minnesota Statutes 1986, section 41A.02, is amended by adding a subdivision to read:

Subd. 16. ELIGIBLE SMALL BUSINESS. "Eligible small business" means:

(1) an enterprise determined by the board to constitute a small business concern as defined in regulations of the United States Small Business Administration under United States Code, title 15, sections 631 to 647; or

(2) a business eligible to receive assistance under section 12.

Sec. 7. Minnesota Statutes 1986, section 41A.02, is amended by adding a subdivision to read:

Subd. 17. SMALL BUSINESS DEVELOPMENT LOAN. "Small business development loan" means a loan to a business that is an "eligible small business" to finance capital expenditures on an interim or long-term basis to acquire or improve land, acquire, construct, rehabilitate, remove, or improve buildings, or to acquire and install fixtures and equipment useful to conduct a small business, including facilities of a capital nature useful or suitable for a business engaged in an enterprise promoting employment including, without limitation, facilities included within the meaning of the term "project" as defined in sections 474.02, subdivisions 1 to 1f, and 474.03, subdivision 4.

Sec. 8. [41A.021] SUCCESSOR STATUS.

The board is the legal successor in all respects of the agricultural resource loan guaranty board established by Laws 1984, chapter 502, article 10, and all bonds, resolutions, contracts, and liabilities of the agricultural resource loan guaranty board are the bonds, resolutions, contracts, and liabilities of the board as renamed and reconstituted by section 41A.02, subdivision 3.

Sec. 9. [41A.022] MINNESOTA ENERGY AND ECONOMIC DEVELOPMENT AUTHORITY; SUCCESSOR STATUS.

The board is the legal successor in all respects of the Minnesota energy and economic development authority under the general bond resolution for the Minnesota small business development loan program, as amended and restated by the authority on September 24, 1986. All bonds, resolutions, contracts, and liabilities of the Minnesota energy and economic development authority relating to the Minnesota small business development loan program are the bonds, resolutions, contracts, and liabilities of the Minnesota agricultural and economic development board.

Sec. 10. [41A.023] POWERS.

In addition to other powers granted by this chapter, the board may:

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- (1) sue and be sued;
- (2) acquire, hold, lease, and transfer any interest in real and personal property for its corporate purposes;
- (3) sell at public or private sale any instrument or obligation evidencing a loan;
- (4) obtain insurance on its property;
- (5) obtain municipal bond insurance, letters of credit, surety obligations, or similar agreements from financial institutions;
- (6) enter into other agreements or transactions, without regard to chapter 16B, that the board considers necessary or appropriate to carry out the purposes of this chapter with federal or state agencies, political subdivisions of the state, or other persons, firms, or corporations;
- (7) establish and collect fees without regard to chapter 14 and section 16A.128;
- (8) accept appropriations, gifts, grants, and bequests;
- (9) use money received from any source for any legal purpose or program of the board;
- (10) participate in loans for agricultural resource projects in accordance with section 11;
- (11) provide small business development loans in accordance with section 12; and
- (12) guarantee or insure bonds or notes issued by the board.

Sec. 11. [41A.035] AGRICULTURAL RESOURCES LOAN PARTICIPATION.

The board may participate in loans made to finance agricultural resource projects by purchasing from a lender up to 75 percent of the amount of each eligible loan. If the loan participated in is for \$500,000 or less, the loan may be for 100 percent of the cost of the project. If the loan participated in exceeds \$500,000, the loan may not exceed 80 percent of the cost of the project. The lender shall service the loan or cause it to be serviced in a manner that equally protects the lender's and the board's interests.

Sec. 12. [41A.036] SMALL BUSINESS DEVELOPMENT LOANS.

Subdivision 1. LOANS; LIMITATIONS. (a) The board may make, purchase, or participate with financial institutions in making or purchasing small business development loans not exceeding \$1,000,000 in principal amount with respect to small business loans made or purchased by the board and not exceeding \$1,000,000 principal amount with respect to the board's share when the board participates in making or purchasing small business loans.

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(b) With respect to loans that the board makes or purchases or participates in, the board may determine or provide for their servicing, the percentage of board participation, if any, the times the loans or participations are payable and the amounts of payment, their amount and interest rates, their security, if any, and other terms, conditions, and provisions necessary or convenient in connection with them and may enter into all necessary contracts and security instruments in connection with them. The board may enter into commitments to purchase or participate with financial institutions or other persons upon the terms, conditions, and provisions determined by it. Loans or participations may be serviced by financial institutions or other persons designated by the board.

(c) The board shall obtain the best available security for all loans. The board may provide for or require the insurance or guaranteeing of the loans or board participations in whole or in part by the federal government or a department, agency, or instrumentality of it, by an appropriate board account, or by a private insurer.

Subd. 2. SMALL BUSINESS DEVELOPMENT LOANS; PREFERENCES. The following eligible small businesses have preference among all business applicants for small business development loans:

(1) businesses located in rural areas of the state that are experiencing the most severe unemployment rates in the state;

(2) businesses that are likely to expand and provide additional permanent employment in rural areas of the state;

(3) businesses located in border communities that experience a competitive disadvantage due to location;

(4) businesses that have been unable to obtain traditional financial assistance due to a disadvantageous location, minority ownership, or other factors rather than due to the business having been considered a poor financial risk;

(5) businesses that utilize state resources and reduce state dependence on outside resources, and that produce products or services consistent with the long-term social and economic needs of the state; and

(6) businesses located in designated enterprise zones, as described in section 273.1312, subdivision 4.

Subd. 3. LOCAL GOVERNMENTAL UNIT SPONSOR; RESOLUTION. A business applying for a loan must be sponsored by a resolution of the governing body of the local governmental unit within whose jurisdiction the project is located. For purposes of this paragraph, "local governmental unit" means a home rule charter or statutory city when the project is located in an incorporated area, a county when the project is located in an unincorporated area, or an American Indian tribal council when the project is located within a federally recognized American Indian reservation or community.

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Sec. 13. Minnesota Statutes 1986, section 41A.04, subdivision 1, is amended to read:

Subdivision 1. **REQUIREMENTS.** (a) Any applicant may file a written application with the state commissioner of energy and economic development on behalf of the board, to be considered by the ~~agricultural resource loan guaranty~~ board, for a guaranty by the state of a portion of a loan or for issuance of bonds for an agricultural resource project. In general, the application must provide information similar to that required by an investment banking or other financial institution considering such a project for debt financing. Specifically, each application must include in brief but precise form the following information, as supplied by the applicant, the borrower, or the lender:

(1) a description of the scope, nature, extent, and location of the proposed project, including the identity of the borrower and a preliminary or conceptual design of the project;

(2) a description of the technology to be used in the project and the prior construction and operating experience of the borrower with such projects;

(3) a detailed estimate of the items comprising the total cost of the project, including escalation and contingencies, with explanation of the assumptions underlying the estimate;

(4) a general description of the financial plan for the project, including the mortgage and security interests to be granted for the security of the guaranteed loan or the bonds, and all sources of equity, grants, or contributions or of borrowing the repayment of which is not to be secured by the mortgage and security interests, or, if so secured, is expressly subordinated to the guaranteed loan;

(5) an environmental report analyzing potential environmental effects of the project, any necessary or proposed mitigation measures, and other relevant data available to the applicant to enable the board to make an environmental assessment;

(6) a list of applications to be filed and estimated dates of approvals of permits required by federal, state, and local government agencies as conditions for construction and commencement of operation of the project;

(7) an estimated construction schedule;

(8) an analysis of the estimated cost of production of and market for the product, including economic factors justifying the analysis and proposed and actual marketing contracts, letters of intent, and contracts for the supply of feedstock;

(9) a description of the management experience of the borrower in organizing and undertaking similar projects;

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(10) pro forma cash flow statements for the first five years of project operation including income statements and balance sheets;

(11) a description of the borrower's organization and, where applicable, a copy of its articles of incorporation or partnership agreement and bylaws;

(12) the estimated amount of the loan or bonds and percentage of the guaranty requested, the proposed repayment schedule, and other terms and conditions and security provisions of the loan;

(13) an estimate of the amounts and times of receipt of guaranty fees, sales and use taxes, property tax increments, and any other governmental charges which may be available for the support of the state guaranty agricultural development fund as a result of the construction of the project, with an analysis of the assumptions on which the estimate is based;

(14) a copy of any lending commitment issued by a lender to the borrower;

(15) a statement from the lender, if identified, as to its general experience in financing and servicing debt incurred for projects of the size and general type of the project, and its proposed servicing and monitoring plan; and

(16) additional information required by the board.

(b) ~~The applicant shall pay upon filing of the application a fee equal to .25 percent of the amount of the loan guaranty or bond requested. The fee shall be paid to the commissioner of finance and deposited in the general fund. If the board determines not to issue a commitment for the project, the fee shall be refunded to the applicant, less the board's cost of processing, reviewing, and evaluating the application. If the board issues a commitment for the project and the application fee exceeds the board's cost of processing, reviewing, and evaluating the application, the balance shall be transferred from the general fund to the project account in the guaranty fund and credited against the amount of the commitment fee required in section 41A.03, subdivision 3, clause (j). The county or rural development finance authority may require the proposed borrower under the project to pay the application fee.~~

(e) If the application is made by an applicant other than the county or rural development finance authority and tax increment financing is to be used for the project, the application must include a copy of a resolution adopted by the governing body of the county or rural development finance authority in which the project is located. The resolution must authorize the use of tax increment financing for the project as required by section 41A.06, subdivision 5.

Sec. 14. Minnesota Statutes 1986, section 41A.05, subdivision 1, is amended to read:

Subdivision 1. **ESTABLISHMENT OF FUND.** ~~For the purpose of developing the state's agricultural resources by extending credit on real estate security, the agricultural resource loan guaranty~~ The Minnesota agricultural and economic

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development fund is established as a special and dedicated fund to be held and invested separately from all other funds of the state. All money appropriated to the fund, and all guaranty fees, retail sales taxes, property tax increments, and other money from any source which may be credited to the fund pursuant to law or pursuant to the terms of grants, contributions, or contracts are appropriated and shall remain available for the purposes of the fund until those purposes have been fully accomplished to the board to carry out the purposes of this chapter. The board may maintain or establish within the guaranty Minnesota agricultural and economic development fund reserve funds accounts, project accounts, trustee accounts, special guaranty fund accounts, or other restrictions it determines necessary or appropriate to carry out the purposes of this chapter. Except as otherwise provided in this section, the fund may be used only for paying amounts due under loan guaranties and principal and interest assistance contracts entered into by the state, pursuant to the agricultural resource loan guaranty program. The board may enter into pledge and escrow agreements or indentures of trust with a trustee for the purpose of maintaining the accounts.

Sec. 15. Minnesota Statutes 1986, section 41A.05, subdivision 2, is amended to read:

Subd. 2. **ISSUANCE OF BONDS.** (a) ~~Subject to section 16A.80, upon application pursuant to section 41A.04, The board by resolution may exercise the powers of a rural development authority under sections 362A.01 to 362A.05 and the powers of a municipality under chapter 474 for the purposes of providing money to pay the costs of financing a project, including the issuance of bonds and the loan application of the bond proceeds pursuant to a lease, loan, loan guaranty, loan participation, or other agreement. The bonds must be issued, sold, and secured on the terms and conditions and in the manner determined by resolution of the board. Sections Section 16A.80 and 474.23 do does~~ not apply to the bonds. Notwithstanding subdivision 1, a reserve established for the bonds provided by the borrower, including out of bond proceeds, may be deposited and held in a separate account in the guaranty Minnesota agricultural and economic development fund and applied to the last installments of principal or interest on the bonds, subject to the reserves being withdrawn for any purpose permitted by subdivision 1. The board may by resolution or indenture pledge any or all amounts in the ~~guaranty~~ fund, including any reserves and investment income on amounts in the fund, to secure the payment of principal and interest on any or all series of bonds, upon the terms and conditions as provided in the resolution or indenture. To the extent the board deems necessary or desirable to prevent interest on bonds from becoming subject to federal income taxation, (1) the amounts in the ~~guaranty~~ fund shall be invested in obligations or securities with restricted yields and (2) the investment income on the amounts are released from the pledge securing the bonds or loan guaranty and appropriately applied to prevent taxation.

(b) Bonds issued pursuant to this chapter are not general obligations of the state or the board. The full faith and credit and taxing powers of the state and the board are not and may not be pledged for the payment of the bonds. No

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person may compel the levy of a tax for the payment or compel the appropriation of money of the state or the board for the payment of the bonds, except as specifically provided in this chapter.

(c) ~~The issuance of bonds pursuant to this subdivision is subject to sections 474.18 to 474.25.~~ For purposes of sections ~~474.16~~ 474A.01 to ~~474.20~~ 474A.21, the board is a local issuer and may apply for allocations of authority to issue private activity obligations and may enter into an agreement for the issuance of obligations by another issuer.

Sec. 16. **[41A.065] CERTIFIED DEVELOPMENT COMPANY.**

Subdivision 1. PURPOSE; OBJECTIVES. The board may create, promote, and assist a development company that will qualify as a certified development company for the purposes of United States Code, title 15, section 697, and Code of Federal Regulations, title 13, section 108.503.

The board shall utilize the development company program to stimulate the state's economic activity.

The development company and its directors and officers shall comply with the organizational, operational, regulatory, and reporting requirements as promulgated by the United States Small Business Administration and the guidelines contained in the bylaws, articles of incorporation, and standard operating procedure prescribed by the Small Business Administration.

Subd. 2. CAPITAL, LOAN LIMITS; MEMBERSHIP REQUIREMENTS. The capital for a certified development company must be derived from corporate holders or members, each of whom must not have more than ten percent of the voting control of the development company. The company must have a minimum of ten members. The members of the company from each economic development region must represent, to the greatest extent practical, the same proportion of the membership of the company as the population of the economic development region is of the population of the state. The loan limit of each member must be established at the time of its acceptance as a member and must be computed on the basis of the financial information contained in or made a part of its application for membership. Loan limits must be established at the thousand dollar amount nearest the amount computed in accordance with the provisions of the articles of incorporation and this section.

Subd. 3. MEMBERS. Members must be representatives of local government, community organizations, financial institutions, and businesses in Minnesota and must, upon application, have been accepted for membership by a majority vote of the members of the board of directors present at a regular or special meeting of the board at which there is a quorum. A "financial institution" is a business organization recognized under Minnesota or federal law as a banking institution, trust company, savings and loan association, insurance company, or a corporation, partnership, foundation or other institution licensed to do business in the state of Minnesota and engaged primarily in lending or investing money.

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Subd. 4. MEMBERSHIP APPLICATIONS. Applications for membership must be submitted to the development company's board of directors on forms provided by the corporation and accompanied by additional information as the form may require. Application forms must provide that if the application is approved and the applicant accepted for membership by the development company's board of directors before withdrawal of the application, the applicant agrees to become a member upon the acceptance and to assume the rights and obligations of a member. Notice of approval or rejection of an application must be forwarded, by certified or registered United States mail, to the applicant for the attention of the person signing the application, within 15 days following the date when the approval or rejection is made. Approval of the application constitutes acceptance of the applicant as a member of the corporation.

Subd. 5. OFFICERS. The executive officers of the development company are a president, one or more vice presidents including the executive vice president, a secretary, and a treasurer. None of the officers, except the president, need be directors. One person may hold the offices and perform the duties of any two or more of the offices. The development company's board of directors by majority vote may leave unfilled for any period it may fix any office except that of president, treasurer, or secretary.

Subd. 6. ASSISTANCE. The commissioner of energy and economic development shall make available the professional staff of the department to provide services to the development company including, but not limited to, accounting, legal, and business assistance services. The staff must have the capability to package, process, close and service loans made through the development company.

Subd. 7. REPORTS. The development company shall submit to the Small Business Administration annual reports on its operation. When requested by the Small Business Administration, interim reports of a similar nature must be provided. The reports must be provided in accordance with the instructions and attachments set forth by the Small Business Administration. The development company shall comply with all regulations issued under the small business investment act of 1958, as amended, as well as applicable state and federal laws affecting its operation.

Subd. 8. REVOLVING ACCOUNT. The development company may charge a one-time processing fee up to the maximum allowed by the Small Business Administration on a debenture issued for loan purposes. In addition, a fee for servicing loans may be imposed up to the maximum allowed by the Small Business Administration based on the unpaid balance of each debenture. These fees must be deposited in the state treasury and credited to a special account. Money in the account is appropriated to the board to pay the costs of administering the program, including personnel costs; compensate members of the board of directors under section 15.0575, subdivision 3, and to create and operate a pool of money for investment in projects that further the purposes of this section.

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

Sec. 17. Minnesota Statutes 1986, section 41A.08, is amended to read:

41A.08 STAFF.

Subdivision 1. EMPLOYEES. Subject to all other applicable laws governing employees of or employment by a department or agency of the state, the commissioner of energy and economic development, on behalf of the board, may retain or employ the officers, employees, agents, contractors, and consultants the commissioner determines necessary or appropriate to discharge the functions of the board in respect to the agricultural resource loan program. The commissioner shall define their duties and responsibilities.

Subd. 2. EXECUTIVE DIRECTOR. The commissioner shall employ, with the concurrence of the board, an executive director. The executive director shall perform the duties that the board may require in carrying out its responsibilities. The executive director's position is in the unclassified service.

Sec. 18. RESPONSIBILITIES TRANSFERRED TO MINNESOTA DEVELOPMENT BOARD.

Subdivision 1. TRANSFER. The responsibilities under the general bond resolution for the Minnesota small business development loan program, as amended and restated by the authority on September 24, 1986, and the responsibilities for the certified development company program under section 116M.05 are transferred from the Minnesota energy and economic development authority to the Minnesota agricultural and economic development board. Money designated or committed to the small business development loan program is transferred to the Minnesota agricultural and economic development fund, to be credited to a separate account to be used to carry out the purposes specified in section 9. This transfer includes four classified positions and one unclassified position from the financial management division of the department of energy and economic development. Minnesota Statutes, section 15.039 applies to the transfer of responsibilities.

Subd. 2. POWERS CONTINUED. To carry out the purposes specified in sections 9 and 19, the board may exercise the powers granted to the Minnesota energy and economic development authority under Minnesota Statutes 1986, sections 116M.06, 116M.07, and 116M.08, notwithstanding the repeal of those sections.

Sec. 19. LOAN REPAYMENTS.

The commissioner of energy and economic development shall credit money received before July 1, 1987, from loan repayments, earnings, releases from insurance reserve accounts, and other income from the following programs to the Minnesota agricultural and economic development fund: the special assistance program under section 116M.07, subdivision 11, except for the small business development loans; the technology product loan program; the tourism loan program created under section 116M.07; the energy loan insurance program under section 116M.11; the energy development fund program under section 116M.12; and the Minnesota fund program under sections 472.11 to 472.13. The commissioner of energy and economic development shall credit money received on or after July 1, 1987, to the greater Minnesota fund.

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Sec. 20. [41A.066] HAZARDOUS WASTE PROCESSING FACILITY LOANS.

Subdivision 1. AUTHORITY TO MAKE LOANS. The Minnesota agricultural and economic development board may make, purchase, or participate in making or purchasing hazardous waste processing facility loans in any amount, and may enter into commitments therefor. A private person proposing to develop and operate a hazardous waste processing facility is eligible to apply for a loan under this subdivision. Applications must be made to the Minnesota agricultural and economic development board. The Minnesota agricultural and economic development board shall forward the applications to the waste management board for review pursuant to section 115A.162. If the waste management board does not certify the application, the Minnesota agricultural and economic development board may not approve the application nor make the loan. If the waste management board certifies the application, the Minnesota agricultural and economic development board shall approve the application and make the loan if money is available for it and if the Minnesota agricultural and economic development board finds that:

(1) development and operation of the facility as proposed by the applicant is economically feasible;

(2) there is a reasonable expectation that the principal and interest on the loan will be fully repaid; and

(3) the facility is unlikely to be developed and operated without a loan from the Minnesota agricultural and economic development board.

The Minnesota agricultural and economic development board and the waste management board shall establish coordinated procedures for loan application, certification, and approval.

The Minnesota agricultural and economic development board may use the Minnesota agricultural and economic development fund to provide financial assistance to any person whose hazardous waste processing facility loan application has been certified by the waste management board and approved by the Minnesota agricultural and economic development board, and for this purpose may exercise the powers granted in Minnesota Statutes 1986, section 116M.06, subdivision 2, with respect to any loans made or bonds issued under this subdivision regardless of whether the applicant is an eligible small business.

The Minnesota agricultural and economic development board may issue bonds and notes in the aggregate principal amount of \$10,000,000 for the purpose of making, purchasing, or participating in making or purchasing hazardous waste processing facility loans.

The Minnesota agricultural and economic development board may adopt emergency rules under sections 14.29 to 14.36 to implement the loan program under this subdivision. Emergency rules adopted by the Minnesota agricultural

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and economic development board remain in effect for 360 days or until permanent rules are adopted, whichever occurs first.

Subd. 2. MINNESOTA ENERGY AND ECONOMIC DEVELOPMENT AUTHORITY; SUCCESSOR STATUS. Notwithstanding the repeal of section 116M.07, subdivision 9, the Minnesota agricultural and economic development board is the legal successor in all respects of the Minnesota energy and economic development authority for the hazardous waste processing facility loan program for a project or facility described under Minnesota Statutes 1986, section 116M.03, subdivision 15, with respect to which the Minnesota energy and economic development authority passed a preliminary resolution before May 1, 1987. All resolutions of the Minnesota energy and economic development authority relating to the projects or facilities are the resolutions of the Minnesota agricultural and economic development board.

Sec. 20. INSTRUCTION TO REVISOR.

The revisor of statutes is directed to change the phrase "agricultural resource loan guaranty board" wherever it appears in Minnesota Statutes to "Minnesota agricultural and economic development board" in the next and subsequent editions of the statutes.

Sec. 21. INSTRUCTION TO REVISOR.

The revisor of statutes is directed to change the phrase "agricultural resource loan guaranty fund" wherever it appears in Minnesota Statutes to "Minnesota agricultural and economic development fund" in the next and subsequent editions of the statutes.

Sec. 22. APPROPRIATION.

\$400,000 is transferred from the economic development fund to the Minnesota agricultural and economic development fund. \$200,000 is for fiscal year 1988 and \$200,000 is for fiscal year 1989.

Sec. 23. EFFECTIVE DATE.

Sections 18 and 19 are effective the day following final enactment.

ARTICLE 10

EDUCATION AND TRAINING PROGRAMS

Section 1. Minnesota Statutes 1986, section 116L.02, is amended to read:

116L.02 **JOBS JOB SKILLS PARTNERSHIP PROGRAM.**

The Minnesota job skills partnership program is created to act as a catalyst

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

to bring together employers with specific training needs with educational or other nonprofit institutions which can design programs to fill those needs. The partnership shall work closely with employers to train and place workers in identifiable positions as well as assisting educational or other nonprofit institutions in developing training programs that coincide with current and future employer requirements. The partnership shall provide grants to educational or other nonprofit institutions for the purpose of training displaced workers. A participating business must match the grant-in-aid made by the Minnesota job skills partnership. Preference must be given to a business located in a rural area. The match may be in the form of funding, equipment, or faculty.

Sec. 2. Minnesota Statutes 1986, section 116L.03, subdivision 2, is amended to read:

Subd. 2. **APPOINTMENT.** ~~Members shall be appointed as follows: four members appointed by the speaker of the house; one member appointed by the minority leader of the house; four members appointed by the majority leader of the senate; one member appointed by the minority leader of the senate; The Minnesota job skills partnership board consists of: eight members appointed by the governor; and, the commissioners of the departments commissioner of energy and economic development, education, and jobs and training the commissioner of jobs and training, and the state director of vocational technical education.~~

Sec. 3. Minnesota Statutes 1986, section 116L.03, subdivision 1, is amended to read:

Subdivision 1. **MEMBERS.** The partnership shall be governed by a board of ~~24~~ 11 directors.

Sec. 4. Minnesota Statutes 1986, section 116L.03, subdivision 5, is amended to read:

Subd. 5. **TERMS.** The terms of appointed members shall be for four years except for the initial appointments. ~~The initial appointments of the speaker and majority leader shall be as follows: two members for two years; two members for three years and one member for four years.~~ The initial appointments of the governor shall have the following terms: two members each for one, two, three, and four years.

Sec. 5. Minnesota Statutes 1986, section 116L.03, subdivision 7, is amended to read:

Subd. 7. **OFFICES.** ~~The commissioner of jobs and training higher education coordinating board shall; upon request; provide office space and support staff and administrative services for the board.~~

Sec. 6. **[136A.134] GRANTS TO DISLOCATED RURAL WORKERS.**

Subdivision 1. ESTABLISHMENT OF PROGRAM. The higher education

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coordinating board shall develop policies and procedures to administer a dislocated rural worker grant program and to allocate program money to eligible institutions and shall supervise the operation of the program.

Subd. 2. ELIGIBLE INSTITUTIONS. For purposes of this section, "eligible institution" has the meaning given it in section 136A.101.

Subd. 3. APPLICANTS. An applicant may be considered for a dislocated rural worker grant if the applicant:

(1) is a resident of rural Minnesota;

(2) is enrolled in an adult farm management program or a program designed to provide preparation for available employment within the local labor market or in an area to which the individual is willing to relocate;

(3) has met the financial need criteria established by the board; and

(4) can demonstrate that one of the following criteria has been met:

(i) the applicant or applicant's spouse has been separated from employment or has received a notice of separation from employment as a result of job obsolescence, plant shutdown, regional decline in the applicant's customary occupation, or industry slowdown, and the applicant or the applicant's spouse is unlikely to return to work for that employer or in that occupation within 12 months following separation from employment;

(ii) the applicant is a displaced homemaker; or

(iii) the applicant or the applicant's spouse is a farmer who can demonstrate severe household financial need.

Subd. 4. PROGRAM RECIPIENTS. An eligible institution shall select a recipient of a dislocated rural worker grant in accordance with guidelines, policies, and rules established by the board. The board may adopt emergency rules for awarding grants only for the fiscal year beginning July 1, 1987.

Subd. 5. PROGRAM COORDINATION; INFORMATION. The board shall develop and provide information to dislocated workers in rural areas about post-secondary education opportunities and student financial aid programs. The board shall also provide for the coordination of dislocated rural worker grants with other available student financial aid programs. Dislocated rural worker grants must be awarded in a manner that maximizes the use of existing federal and state student financial aid programs.

Sec. 7. REPEALER.

Minnesota Statutes 1986, section 116L.03, subdivision 6, is repealed.

Sec. 8. Laws 1983, chapter 334, section 7, is amended to read:

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

Sec. 7. REPEALER.

Sections 4 to 6 116L.01; 116L.02; 116L.03, subdivisions 1, 2, 3, 4, 5, and 7; 116L.04; and 116L.05, 1, 2, 3, 4, 5, and 7 are repealed June 30, ~~1987~~ 1989.

Sec. 9. SUPPLEMENTAL EDUCATION GRANT PROGRAM FUNDING.

\$500,000 is appropriated from the general fund to the higher education coordinating board for the dislocated rural worker grant program established in section 3, to be available until June 30, 1989.

\$1,000,000 is appropriated from the general fund to the higher education coordinating board for the Minnesota job skills partnership program. \$500,00 is for fiscal year 1988 and \$500,000 is for fiscal year 1989.

Approved June 3, 1987

CHAPTER 387—S.F.No. 1261

An act relating to the state building code; changing certain provisions relating to public buildings; amending Minnesota Statutes 1986, sections 16B.60, subdivisions 3 and 6; 16B.61, by adding a subdivision; and 16B.71.

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

Section 1. Minnesota Statutes 1986, section 16B.60, subdivision 3, is amended to read:

Subd. 3. **MUNICIPALITY.** "Municipality" means a city, county, or town meeting the requirements of section 368.01, subdivision 1, ~~or the University of Minnesota,~~ or the state for public buildings.

Sec. 2. Minnesota Statutes 1986, section 16B.60, subdivision 6, is amended to read:

Subd. 6. **PUBLIC BUILDING.** "Public building" means a building and its grounds, the cost of which is paid for by the state, a state agency ~~or governmental subdivision; an agency of a governmental subdivision,~~ or a school district.

Sec. 3. Minnesota Statutes 1986, section 16B.61, is amended by adding a subdivision to read:

Subd. 1a. **ADMINISTRATION BY COMMISSIONER.** The commissioner shall administer and enforce the state building code as a municipality with respect to public buildings in the state. The commissioner shall establish appropriate permit, plan review, and inspection fees for public buildings. Fees and

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