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State of Minnesota

HOUSE OF REPRESENTATIVES

NINETIETH SESSION

H. F. No. 3763

- 03/14/2018 Authored by Layman, Metsa, Ecklund and Sandstede
- The bill was read for the first time and referred to the Committee on Job Growth and Energy Affordability Policy and Finance
- 03/22/2018 Adoption of Report: Placed on the General Register
- Read for the Second Time
- 05/07/2018 Calendar for the Day
- Read for the Third Time
- Passed by the House and transmitted to the Senate
- 05/14/2018 Returned to the House as Amended by the Senate
- Refused to concur and a Conference Committee was appointed
- 05/18/2018 Read Third Time as Amended by Conference and repassed by the House
- 05/19/2018 Read Third Time as Amended by Conference and repassed by the Senate

1.1 A bill for an act

1.2 relating to economic development; clarifying use of taconite economic development

1.3 fund; providing for a transfer of 2018 distribution; limiting use of funds in the

1.4 Douglas J. Johnson economic protection trust fund; amending Minnesota Statutes

1.5 2016, section 298.28, subdivision 9a; Minnesota Statutes 2017 Supplement, sections

1.6 298.227; 298.28, subdivision 7a; 298.292, subdivision 2.

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

1.8 Section 1. Minnesota Statutes 2017 Supplement, section 298.227, is amended to read:

1.9 **298.227 TACONITE ECONOMIC DEVELOPMENT FUND.**

1.10 An amount equal to that distributed pursuant to each taconite producer's taxable

1.11 production and qualifying sales under section 298.28, subdivision 9a, shall be held by the

1.12 commissioner of Iron Range resources and rehabilitation in a separate taconite economic

1.13 development fund for each taconite and direct reduced ore producer. Money from the fund

1.14 for each producer shall be released by the commissioner after review by a joint committee

1.15 consisting of an equal number of representatives of the salaried employees and the

1.16 nonsalaried production and maintenance employees of that producer. The District 11 director

1.17 of the United States Steelworkers of America, on advice of each local employee president,

1.18 shall select the employee members. In nonorganized operations, the employee committee

1.19 shall be elected by the nonsalaried production and maintenance employees. The review

1.20 must be completed no later than six months after the producer presents a proposal for

1.21 expenditure of the funds to the committee. The funds held pursuant to this section may be

1.22 released only for workforce development and associated public facility improvement,

1.23 concurrent reclamation, or for acquisition of plant and stationary mining equipment and

1.24 facilities for the producer, or for research and development in Minnesota on new mining,

2.1 ~~or~~ taconite, iron, or steel production technology, but only if the producer provides a matching
 2.2 expenditure equal to the amount of the distribution to be used for the same purpose ~~beginning~~
 2.3 ~~with distributions in 2014. Effective for proposals for expenditures of money from the fund~~
 2.4 ~~beginning May 26, 2007, the commissioner may not release the funds before the next~~
 2.5 ~~scheduled meeting of the board.~~ If a proposed expenditure is not approved by the
 2.6 commissioner, after consultation with the advisory board, the funds must be deposited in
 2.7 the taconite environmental protection fund under sections 298.222 to 298.225. If a taconite
 2.8 production facility is sold after operations at the facility had ceased, any money remaining
 2.9 in the fund for the former producer may be released to the purchaser of the facility on the
 2.10 terms otherwise applicable to the former producer under this section. If a producer fails to
 2.11 provide matching funds for a proposed expenditure within six months after the commissioner
 2.12 approves release of the funds, the funds ~~are available for release to another producer in~~
 2.13 ~~proportion to the distribution provided and under the conditions of this section~~ may be
 2.14 released by the commissioner for deposit in the taconite area environmental protection fund
 2.15 created in section 298.223. Any portion of the fund which is not released by the commissioner
 2.16 within one year of its deposit in the fund shall be ~~divided between~~ distributed to the taconite
 2.17 environmental protection fund ~~created in section 298.223 and the Douglas J. Johnson~~
 2.18 ~~economic protection trust fund created in section 298.292 for placement in their respective~~
 2.19 ~~special accounts. Two-thirds of the unreleased funds shall be distributed to the taconite~~
 2.20 ~~environmental protection fund and one-third to the Douglas J. Johnson economic protection~~
 2.21 ~~trust fund.~~

2.22 **EFFECTIVE DATE.** This section is effective July 1, 2018.

2.23 Sec. 2. Minnesota Statutes 2017 Supplement, section 298.28, subdivision 7a, is amended
 2.24 to read:

2.25 Subd. 7a. **Iron Range school consolidation and cooperatively operated school account.**
 2.26 (a) The following amounts must be allocated to the commissioner of Iron Range resources
 2.27 and rehabilitation to be deposited in the Iron Range school consolidation and cooperatively
 2.28 operated school account that is hereby created:

2.29 (1)(i) for distributions in 2015 through 2023, ten cents per taxable ton of the tax imposed
 2.30 under section 298.24; and

2.31 (ii) for distributions beginning in 2024, five cents per taxable ton of the tax imposed
 2.32 under section 298.24;

2.33 (2) the amount as determined under section 298.17, paragraph (b), clause (3);

3.1 (3)(i) for distributions in 2015, an amount equal to two-thirds of the increased tax
3.2 proceeds attributable to the increase in the implicit price deflator as provided in section
3.3 298.24, subdivision 1, with the remaining one-third to be distributed to the Douglas J.
3.4 Johnson economic protection trust fund;

3.5 (ii) for distributions in 2016, an amount equal to two-thirds of the sum of the increased
3.6 tax proceeds attributable to the increase in the implicit price deflator as provided in section
3.7 298.24, subdivision 1, for distribution years 2015 and 2016, with the remaining one-third
3.8 to be distributed to the Douglas J. Johnson economic protection trust fund; and

3.9 (iii) for distributions in 2017, 2018, and 2019, an amount equal to two-thirds of the sum
3.10 of the increased tax proceeds attributable to the increase in the implicit price deflator as
3.11 provided in section 298.24, subdivision 1, for distribution years 2015, 2016, and 2017, with
3.12 the remaining one-third to be distributed to the Douglas J. Johnson economic protection
3.13 trust fund; and

3.14 (4) any other amount as provided by law.

3.15 (b) Expenditures from this account may be approved as ongoing annual expenditures
3.16 and shall be made only to provide disbursements to assist school districts with the payment
3.17 of bonds that were issued for qualified school projects, or for any other school disbursement
3.18 as approved by the commissioner of Iron Range resources and rehabilitation after consultation
3.19 with the Iron Range Resources and Rehabilitation Board. For purposes of this section,
3.20 "qualified school projects" means school projects within the taconite assistance area as
3.21 defined in section 273.1341, that were (1) approved, by referendum, after April 3, 2006;
3.22 and (2) approved by the commissioner of education pursuant to section 123B.71.

3.23 (c) Beginning in fiscal year 2019, the disbursement to school districts for payments for
3.24 bonds issued under section 123A.482, subdivision 9, must be increased each year to offset
3.25 any reduction in debt service equalization aid that the school district qualifies for in that
3.26 year, under section 123B.53, subdivision 6, compared with the amount the school district
3.27 qualified for in fiscal year 2018.

3.28 (d) No expenditure under this section shall be made unless approved by the commissioner
3.29 of Iron Range resources and rehabilitation after consultation with the Iron Range Resources
3.30 and Rehabilitation Board.

3.31 **EFFECTIVE DATE.** This section is effective for distributions beginning in 2018 and
3.32 thereafter.

4.1 Sec. 3. Minnesota Statutes 2016, section 298.28, subdivision 9a, is amended to read:

4.2 Subd. 9a. **Taconite economic development fund.** (a) 25.1 cents per ton for distributions
4.3 in 2002 and thereafter must be paid to the taconite economic development fund. No
4.4 distribution shall be made under this paragraph in 2004 or any subsequent year in which
4.5 total industry production falls below 30 million tons. Distribution shall only be made to a
4.6 Minnesota taconite pellet producer's fund under section 298.227 if the producer timely pays
4.7 its tax under section 298.24 by the dates provided under section 298.27, or pursuant to the
4.8 due dates provided by an administrative agreement with the commissioner.

4.9 (b) An amount equal to 50 percent of the tax under section 298.24 for concentrate sold
4.10 in the form of pellet chips and fines not exceeding 5/16 inch in size and not including crushed
4.11 pellets shall be paid to the taconite economic development fund. The amount paid shall not
4.12 exceed \$700,000 annually for all ~~companies~~ Minnesota taconite pellet producers. If the
4.13 initial amount to be paid to the fund exceeds this amount, each ~~company's~~ Minnesota taconite
4.14 pellet producer's payment shall be prorated so the total does not exceed \$700,000.

4.15 **EFFECTIVE DATE.** This section is effective retroactively from December 31, 2016.

4.16 Sec. 4. Minnesota Statutes 2017 Supplement, section 298.292, subdivision 2, is amended
4.17 to read:

4.18 Subd. 2. **Use of money.** (a) Money in the Douglas J. Johnson economic protection trust
4.19 fund may be used for the following purposes:

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

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

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

4.32 (4) to invest in a venture capital fund or enterprise that will provide capital to other
4.33 entities that are engaging in, or that will engage in, projects or programs that have the

5.1 purposes set forth in subdivision 1. No investments may be made in a venture capital fund
5.2 or enterprise unless at least two other unrelated investors make investments of at least
5.3 \$500,000 in the venture capital fund or enterprise, and the investment by the Douglas J.
5.4 Johnson economic protection trust fund may not exceed the amount of the largest investment
5.5 by an unrelated investor in the venture capital fund or enterprise. For purposes of this
5.6 subdivision, an "unrelated investor" is a person or entity that is not related to the entity in
5.7 which the investment is made or to any individual who owns more than 40 percent of the
5.8 value of the entity, in any of the following relationships: spouse, parent, child, sibling,
5.9 employee, or owner of an interest in the entity that exceeds ten percent of the value of all
5.10 interests in it. For purposes of determining the limitations under this clause, the amount of
5.11 investments made by an investor other than the Douglas J. Johnson economic protection
5.12 trust fund is the sum of all investments made in the venture capital fund or enterprise during
5.13 the period beginning one year before the date of the investment by the Douglas J. Johnson
5.14 economic protection trust fund; and

5.15 (5) to purchase forest land in the taconite assistance area defined in section 273.1341 to
5.16 be held and managed as a public trust for the benefit of the area for the purposes authorized
5.17 in section 298.22, subdivision 5a. Property purchased under this section may be sold by the
5.18 commissioner, after consultation with the advisory board. The net proceeds must be deposited
5.19 in the trust fund for the purposes and uses of this section.

5.20 (b) Money from the trust fund shall be expended only in or for the benefit of the taconite
5.21 assistance area defined in section 273.1341.

5.22 (c) Money devoted to the trust fund under this section shall not be expended, appropriated,
5.23 or transferred from the trust fund for any purpose except as provided in this section.

5.24 Sec. 5. **TRANSFER 2018 DISTRIBUTION ONLY.**

5.25 For the 2018 distribution, the fund established under Minnesota Statutes, section 298.28,
5.26 subdivision 7, shall receive ten cents per ton of any excess of the balance remaining after
5.27 distribution of amounts required under Minnesota Statutes, section 298.28, subdivision 6.

5.28 **EFFECTIVE DATE.** This section is effective for the 2018 distribution and the transfer
5.29 must be made within ten days of the August 2018 payment.