

This Document can be made available
in alternative formats upon request

State of Minnesota
HOUSE OF REPRESENTATIVES

NINETIETH SESSION

H. F. No. 3776

03/14/2018 Authored by Loon, Peppin, Davids and Anderson, S.,
The bill was read for the first time and referred to the Committee on Transportation Finance
03/26/2018 Adoption of Report: Amended and re-referred to the Committee on Taxes

1.1 A bill for an act
1.2 relating to transportation; creating a metropolitan congestion management
1.3 component of the corridors of commerce program; reforming the metropolitan
1.4 fiscal disparities program; providing for payments to the trunk highway fund;
1.5 amending Minnesota Statutes 2016, sections 161.088, subdivision 1, by adding
1.6 subdivisions; 167.60; 473F.02, subdivisions 2, 4; 473F.06; 473F.07, subdivisions
1.7 1, 4, 5, by adding subdivisions; 473F.08, subdivision 2, by adding a subdivision;
1.8 477A.011, subdivision 20; Minnesota Statutes 2017 Supplement, sections 161.088,
1.9 subdivision 5; 477A.0124, subdivision 2.

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

1.11 **ARTICLE 1**

1.12 **METROPOLITAN CONGESTION MANAGEMENT**

1.13 Section 1. Minnesota Statutes 2016, section 161.088, subdivision 1, is amended to read:

1.14 Subdivision 1. **Definitions.** For purposes of this section, the following terms have the
1.15 meanings given:

1.16 (1) "beyond the project limits" means any point that is located:

1.17 (i) outside of the project limits;

1.18 (ii) along the same trunk highway; and

1.19 (iii) within the same region of the state;

1.20 (2) "city" means a statutory or home rule charter city;

1.21 (3) "congestion management program component" means the metropolitan congestion
1.22 management component of the corridors of commerce program under subdivision 5a;

1.23 (4) "program" means the corridors of commerce program established in this section; and

2.1 ~~(4)~~(5) "project limits" means the estimated construction limits of a project for trunk
2.2 highway construction, reconstruction, or maintenance, that is a candidate for selection under
2.3 the corridors of commerce program.

2.4 Sec. 2. Minnesota Statutes 2016, section 161.088, is amended by adding a subdivision to
2.5 read:

2.6 Subd. 2a. **Corridors of commerce account; appropriation.** (a) A corridors of commerce
2.7 account is established in the trunk highway fund. The account consists of funds provided
2.8 by law and any other money donated, allotted, transferred, or otherwise provided to the
2.9 account.

2.10 (b) Money in the account is annually appropriated to the commissioner and may be
2.11 expended only for the congestion management program component, including but not limited
2.12 to transfers as necessary for trunk highway bonds issued under subdivision 5c.

2.13 Sec. 3. Minnesota Statutes 2017 Supplement, section 161.088, subdivision 5, is amended
2.14 to read:

2.15 **Subd. 5. Project selection process; criteria.** (a) The commissioner must establish a
2.16 process to identify, evaluate, and select projects under the program. The process must be
2.17 consistent with the requirements of this subdivision and must not include any additional
2.18 evaluation criteria, except as provided in subdivision 5a.

2.19 (b) As part of the project selection process, the commissioner must annually accept
2.20 recommendations on candidate projects from area transportation partnerships and other
2.21 interested stakeholders in each Department of Transportation district. The commissioner
2.22 must determine the eligibility for each candidate project identified under this paragraph.
2.23 For each eligible project, the commissioner must classify and evaluate the project for the
2.24 program, using all of the criteria established under paragraph (c).

2.25 (c) Projects must be evaluated using all of the following criteria:

2.26 (1) a return on investment measure that provides for comparison across eligible projects;

2.27 (2) measurable impacts on commerce and economic competitiveness;

2.28 (3) efficiency in the movement of freight, including but not limited to:

2.29 (i) measures of annual average daily traffic and commercial vehicle miles traveled, which
2.30 may include data near the project location on that trunk highway or on connecting trunk
2.31 and local highways; and

3.1 (ii) measures of congestion or travel time reliability, which may be within or near the
3.2 project limits, or both;

3.3 (4) improvements to traffic safety;

3.4 (5) connections to regional trade centers, local highway systems, and other transportation
3.5 modes;

3.6 (6) the extent to which the project addresses multiple transportation system policy
3.7 objectives and principles;

3.8 (7) support and consensus for the project among members of the surrounding community;
3.9 and

3.10 (8) regional balance throughout the state, provided that the commissioner must not take
3.11 into account appropriations or other funds made available specifically under subdivision
3.12 5a.

3.13 (d) The list of all projects evaluated must be made public and must include the score of
3.14 each project.

3.15 (e) As part of the project selection process, the commissioner may divide funding to be
3.16 separately available among projects within each classification under subdivision 3, and may
3.17 apply separate or modified criteria among those projects falling within each classification.

3.18 Sec. 4. Minnesota Statutes 2016, section 161.088, is amended by adding a subdivision to
3.19 read:

3.20 Subd. 5a. **Metropolitan congestion management; requirements.** (a) The commissioner
3.21 must implement a metropolitan congestion management component of the corridors of
3.22 commerce program using appropriations or other funds made available specifically under
3.23 this subdivision to reduce congestion and improve mobility in the metropolitan area. The
3.24 commissioner may implement the congestion management program component with any
3.25 funds used for the corridors of commerce program.

3.26 (b) All requirements of the corridors of commerce program under this section apply to
3.27 the congestion management program component, except that:

3.28 (1) the project must be located wholly or primarily within the area specified in section
3.29 473F.02, subdivision 2;

3.30 (2) notwithstanding subdivision 4, paragraph (a), clause (3), the project must meet the
3.31 capacity development classification under subdivision 3, clause (1);

4.1 (3) no appropriations or other funds made available specifically under this subdivision
4.2 may be expended for transit facilities located in trunk highway right-of-way or for lanes in
4.3 which user fees are imposed as provided under section 160.93;

4.4 (4) an additional project evaluation criterion is the availability and commitment of
4.5 funding or in-kind assistance for the project from nonpublic sources;

4.6 (5) the evaluation criterion under subdivision 5, paragraph (c), clause (3), is modified
4.7 to be "efficiency in the movement of passenger vehicles," but may include movement of
4.8 all motor vehicles;

4.9 (6) the evaluation criteria under subdivision 5, paragraph (c), clauses (2) and (8), are
4.10 not applicable;

4.11 (7) primary evaluation criteria are as identified in clause (5) and subdivision 5, paragraph
4.12 (c), clause (1); and

4.13 (8) the provisions of subdivision 5, paragraph (e), are not applicable.

4.14 (c) Appropriations or other funds made available specifically under this subdivision
4.15 must not result in a reduction in funds for the Department of Transportation metropolitan
4.16 district from (1) any other funding through the corridors of commerce program, or (2) the
4.17 department's distribution to the districts.

4.18 Sec. 5. Minnesota Statutes 2016, section 161.088, is amended by adding a subdivision to
4.19 read:

4.20 Subd. 5b. **Metropolitan congestion management; consultation.** As part of
4.21 implementation of the congestion management component of the corridors of commerce
4.22 program, the commissioner must consult with representatives from counties, statutory and
4.23 home rule charter cities, and towns throughout the metropolitan district.

4.24 Sec. 6. Minnesota Statutes 2016, section 161.088, is amended by adding a subdivision to
4.25 read:

4.26 Subd. 5c. **Metropolitan congestion management; trunk highway bonds authorization;**
4.27 **appropriation.** (a) The commissioner of transportation may request that the commissioner
4.28 of management and budget sell and issue trunk highway bonds for the congestion
4.29 management component of the corridors of commerce program. The commissioner of
4.30 management and budget shall schedule the sale of the bonds so that in each biennium, no
4.31 more than an amount equal to 90 percent of the money in the corridors of commerce account
4.32 in the trunk highway fund will need to be transferred from that account to the trunk highway

5.1 bond account to pay principal and interest due and to become due on all outstanding trunk
5.2 highway bonds issued for the congestion management program component. Before each
5.3 sale of trunk highway bonds for the congestion management program component, the
5.4 commissioner of management and budget shall calculate the amount of debt service payments
5.5 needed on bonds previously issued and shall estimate the amount of debt service payments
5.6 that will be needed on the bonds scheduled to be sold. The commissioner of management
5.7 and budget shall adjust the amount of bonds scheduled to be sold so as to remain within the
5.8 limit set by this section. The amount needed to make the debt service payments is
5.9 appropriated from the trunk highway fund as provided in section 167.51.

5.10 (b) Upon request of the commissioner of transportation, the commissioner of management
5.11 and budget shall sell and issue bonds of the state in an amount specified by the commissioner
5.12 of transportation, subject to paragraph (a), in the manner, upon the terms, and with the effect
5.13 prescribed by sections 167.50 to 167.52, and by the Minnesota Constitution, article XIV,
5.14 section 11.

5.15 (c) Proceeds of the bonds issued under paragraph (b) are appropriated to the commissioner
5.16 of transportation for the congestion management program component.

5.17 Sec. 7. Minnesota Statutes 2016, section 167.60, is amended to read:

5.18 **167.60 DEBT-FINANCING MANAGEMENT POLICY.**

5.19 (a) By July 1, 2010, the commissioner shall develop a debt-financing management policy
5.20 for trunk highway bonds, federal advanced construction funds, and other forms of highway
5.21 financing based on debt or future repayment. The policy must be used by the department
5.22 to guide decision making related to debt financing. The commissioner may update the policy
5.23 as necessary. In developing and updating the policy, the commissioner shall consult with
5.24 the commissioner of management and budget and the chairs and ranking minority members
5.25 of the senate and house of representatives committees with jurisdiction over transportation
5.26 finance.

5.27 (b) The debt-financing management policy must address relevant financial issues,
5.28 including, but not limited to:

5.29 (1) limits on cumulative amounts of debt for the trunk highway system from all state
5.30 and federal sources, which must include separate limits for debt authorized under section
5.31 161.088, subdivision 5c;

5.32 (2) eligibility of projects for debt-financing funds;

5.33 (3) allocation and use of funds;

6.1 (4) terms of debt service and methods of repayment;

6.2 (5) management of trunk highway fund balance impacts; and

6.3 (6) mitigation of risks from different forms of debt financing.

6.4 (c) Upon creation or formal revision of the debt-financing management policy, the
6.5 commissioner shall distribute electronic copies to the members of the senate and house of
6.6 representatives committees with jurisdiction over transportation finance, and as required
6.7 for reports to the legislature under section 3.195, subdivision 1.

6.8 Sec. 8. **EFFECTIVE DATE.**

6.9 Sections 1 to 7 are effective July 1, 2018.

6.10 **ARTICLE 2**

6.11 **METROPOLITAN FISCAL DISPARITIES REFORM**

6.12 Section 1. Minnesota Statutes 2016, section 473F.02, subdivision 2, is amended to read:

6.13 Subd. 2. **Area.** "Area" means the territory included within the boundaries of Anoka,
6.14 Carver, Dakota excluding the city of Northfield, Hennepin, Ramsey, Scott excluding the
6.15 city of New Prague, and Washington Counties, ~~excluding lands constituting a major or an~~
6.16 ~~intermediate airport as defined under section 473.625.~~

6.17 **EFFECTIVE DATE.** This section is effective for fiscal disparities contributions and
6.18 distributions for taxes payable in 2019 and thereafter.

6.19 Sec. 2. Minnesota Statutes 2016, section 473F.02, subdivision 4, is amended to read:

6.20 Subd. 4. **Residential property.** "Residential property" means the following categories
6.21 of property, as defined in section 273.13, excluding that portion of such property exempt
6.22 from taxation pursuant to section 272.02:

6.23 (a) class 1₂; 1b₂; 2a, including only the house, garage, and one acre; 4a₂; 4b₂; 4e₂; 4bb;
6.24 and 4d property except resorts and property classified under section 273.13, subdivision
6.25 25, paragraph (d), clause (3); and.

6.26 (b) ~~that portion of class 3a, 3b, and 5 property used exclusively for residential occupancy.~~

6.27 **EFFECTIVE DATE.** This section is effective for fiscal disparities contributions and
6.28 distributions for taxes payable in 2019 and thereafter.

7.1 Sec. 3. Minnesota Statutes 2016, section 473F.06, is amended to read:

7.2 **473F.06 INCREASE IN ADJUSTMENTS TO NET TAX CAPACITY.**

7.3 On or before July 15 of each year, the auditor of each county in the area shall determine
7.4 the amount, if any, by which the net tax capacity determined in the preceding year under
7.5 section 473F.05, of commercial-industrial property subject to taxation within each
7.6 municipality in the auditor's county exceeds the net tax capacity in 1971 of
7.7 commercial-industrial property subject to taxation within that municipality. If a municipality
7.8 is located in two or more counties within the area, the auditors of those counties shall certify
7.9 the data required by section 473F.05 to the county auditor who is responsible under other
7.10 provisions of law for allocating the levies of that municipality between or among the affected
7.11 counties. That county auditor shall determine the amount of the net excess, if any, for the
7.12 municipality under this section, and certify that amount under section 473F.07.
7.13 ~~Notwithstanding any other provision of sections 473F.01 to 473F.13 to the contrary, in the~~
7.14 ~~case of a municipality which is designated on July 24, 1971, as a redevelopment area under~~
7.15 ~~section 401(a)(4) of the Public Works and Economic Development Act of 1965, Public Law~~
7.16 ~~89-136, the increase in its net tax capacity of commercial-industrial property for purposes~~
7.17 ~~of this section shall be determined in each year by using as a base the net tax capacity of~~
7.18 ~~commercial-industrial property in that municipality in the 1989 assessment year, rather than~~
7.19 ~~the net tax capacity of such property in 1971. The increase in total net tax capacity determined~~
7.20 ~~by this section shall be reduced by the amount of any decreases in net tax capacity of~~
7.21 ~~commercial-industrial property resulting from any court decisions, court related stipulation~~
7.22 ~~agreements, or abatements for a prior year, and only in the amount of such decreases made~~
7.23 ~~during the 12-month period ending on May 1 of the current assessment year, where such~~
7.24 ~~decreases, if originally reflected in the determination of a prior year's net tax capacity under~~
7.25 ~~section 473F.05, would have resulted in a smaller contribution from the municipality in that~~
7.26 ~~year. An adjustment for such decreases shall be made only if the municipality made a~~
7.27 ~~contribution in a prior year based on the higher net tax capacity of the commercial-industrial~~
7.28 ~~property.~~

7.29 **EFFECTIVE DATE.** This section is effective for fiscal disparities contributions and
7.30 distributions for taxes payable in 2019 and thereafter.

7.31 Sec. 4. Minnesota Statutes 2016, section 473F.07, subdivision 1, is amended to read:

7.32 Subdivision 1. **Areawide net tax capacity.** (a) Each county auditor shall certify the
7.33 determinations under sections 473F.05 and 473F.06 to the administrative auditor on or
7.34 before August 1 of each year.

8.1 (b) The administrative auditor shall determine ~~an amount~~ each municipality's contribution
8.2 net tax capacity equal to 40 ~~37~~ percent of the amount determined under paragraph (a). The
8.3 sum of the amounts ~~certified under section 473F.06~~. The resulting amount determined under
8.4 this paragraph shall be known as the "areawide net tax capacity for(year)."

8.5 **EFFECTIVE DATE.** This section is effective for fiscal disparities contributions and
8.6 distributions for taxes payable in 2019 and thereafter.

8.7 Sec. 5. Minnesota Statutes 2016, section 473F.07, subdivision 4, is amended to read:

8.8 Subd. 4. **Initial distribution net tax capacity.** The administrative auditor shall determine
8.9 the proportion which the index of each municipality bears to the sum of the indices of all
8.10 municipalities and shall then multiply this proportion in the case of each municipality, by
8.11 the areawide net tax capacity. This amount shall be known as the municipality's initial
8.12 distribution net tax capacity.

8.13 **EFFECTIVE DATE.** This section is effective for fiscal disparities contributions and
8.14 distributions for taxes payable in 2019 and thereafter.

8.15 Sec. 6. Minnesota Statutes 2016, section 473F.07, is amended by adding a subdivision to
8.16 read:

8.17 Subd. 4a. **Metropolitan congestion management pool.** The administrative auditor must
8.18 dedicate \$24,000,000 of the net tax capacity in the areawide pool to the metropolitan
8.19 congestion management pool. The administrative auditor must proportionately reduce each
8.20 municipality's initial distribution net tax capacity by the percentage necessary to
8.21 accommodate the dedication under this subdivision.

8.22 **EFFECTIVE DATE.** This section is effective for fiscal disparities contributions and
8.23 distributions for taxes payable in 2019 and thereafter.

8.24 Sec. 7. Minnesota Statutes 2016, section 473F.07, is amended by adding a subdivision to
8.25 read:

8.26 Subd. 4b. **Limitation on distribution.** (a) A municipality whose residential property
8.27 market value per capita is greater than the average residential property market value per
8.28 capita in the area, but less than 105 percent of the average residential property market value
8.29 per capita in the area, must not receive a distribution under subdivision 4a that exceeds 120
8.30 percent of its contribution net tax capacity.

9.1 (b) A municipality whose residential property market value per capita is greater than
 9.2 105 percent but less than 110 percent of the average residential property market value per
 9.3 capita in the area must not receive a distribution under subdivision 4a that exceeds 110
 9.4 percent of its contribution net tax capacity.

9.5 (c) A municipality whose residential property market value per capita is greater than
 9.6 110 percent of the average residential property market value per capita in the area must not
 9.7 receive a distribution under subdivision 4a that exceeds its contribution net tax capacity.

9.8 (d) Any distribution reductions under this subdivision must be added to the metropolitan
 9.9 congestion management pool under subdivision 4a.

9.10 **EFFECTIVE DATE.** This section is effective for fiscal disparities contributions and
 9.11 distributions for taxes payable in 2019 and thereafter.

9.12 Sec. 8. Minnesota Statutes 2016, section 473F.07, subdivision 5, is amended to read:

9.13 Subd. 5. **Certification to county auditor.** The result of the ~~procedure~~ procedures
 9.14 prescribed by subdivision in subdivisions 4, 4a, and 4b shall be known as the "areawide net
 9.15 tax capacity for(year) attributable to(municipality)." The administrative
 9.16 auditor shall certify such product to the auditor of the county in which the municipality is
 9.17 located on or before August 15.

9.18 **EFFECTIVE DATE.** This section is effective for fiscal disparities contributions and
 9.19 distributions for taxes payable in 2019 and thereafter.

9.20 Sec. 9. Minnesota Statutes 2016, section 473F.08, subdivision 2, is amended to read:

9.21 Subd. 2. **Computation of net tax capacity.** The net tax capacity of a governmental unit
 9.22 is its net tax capacity, as determined in accordance with other provisions of law including
 9.23 section 469.177, subdivision 3, subject to the following adjustments:

9.24 (a) There shall be subtracted from its net tax capacity, in each municipality in which the
 9.25 governmental unit exercises ad valorem taxing jurisdiction, an amount which bears the same
 9.26 proportion to ~~40 percent of the amount certified in that year under sections 473F.06 and~~
 9.27 ~~473F.07 for the municipality~~ the municipality's contribution net tax capacity under section
 9.28 473F.07, subdivision 1, as the total preceding year's net tax capacity of commercial-industrial
 9.29 property which is subject to the taxing jurisdiction of the governmental unit within the
 9.30 municipality, determined without regard to section 469.177, subdivision 3, bears to the total
 9.31 preceding year's net tax capacity of commercial-industrial property within the municipality,
 9.32 determined without regard to section 469.177, subdivision 3;

10.1 (b) There shall be added to its net tax capacity, in each municipality in which the
10.2 governmental unit exercises ad valorem taxing jurisdiction, an amount which bears the same
10.3 proportion to the ~~areawide net tax capacity for the year attributable to that municipality~~
10.4 municipality's distribution net tax capacity under section 473F.07, subdivision 5, as the total
10.5 preceding year's net tax capacity of residential property which is subject to the taxing
10.6 jurisdiction of the governmental unit within the municipality bears to the total preceding
10.7 year's net tax capacity of residential property of the municipality.

10.8 **EFFECTIVE DATE.** This section is effective for fiscal disparities contributions and
10.9 distributions for taxes payable in 2019 and thereafter.

10.10 Sec. 10. Minnesota Statutes 2016, section 473F.08, is amended by adding a subdivision
10.11 to read:

10.12 Subd. 12. **Transportation fund.** The administrative auditor must calculate the amount
10.13 of the metropolitan congestion management pool determined under section 473F.07,
10.14 subdivisions 4a and 4b, multiplied by the areawide tax rate determined under subdivision
10.15 5, and pay that amount to the commissioner of transportation for deposit to the corridors of
10.16 commerce account in the trunk highway fund in two equal installments on July 1 and
10.17 December 1 of each year.

10.18 **EFFECTIVE DATE.** This section is effective for taxes payable in 2019 and thereafter.

10.19 Sec. 11. Minnesota Statutes 2016, section 477A.011, subdivision 20, is amended to read:

10.20 Subd. 20. **City net tax capacity.** "City net tax capacity" means the city's adjusted net
10.21 tax capacity under section 273.1325-, provided that in the case of a city located in the area
10.22 described in section 473F.02, subdivision 2, the city's adjusted net tax capacity must utilize
10.23 the city's initial distribution net tax capacity under section 473F.07, subdivision 4, rather
10.24 than the city's distribution net tax capacity under section 473F.07, subdivision 5.

10.25 **EFFECTIVE DATE.** This section is effective for aids payable in 2020 and thereafter.

10.26 Sec. 12. Minnesota Statutes 2017 Supplement, section 477A.0124, subdivision 2, is
10.27 amended to read:

10.28 Subd. 2. **Definitions.** (a) For the purposes of this section, the following terms have the
10.29 meanings given them.

10.30 (b) "County program aid" means the sum of "county need aid," "county tax base
10.31 equalization aid," and "county transition aid."

11.1 (c) "Age-adjusted population" means a county's population multiplied by the county age
11.2 index.

11.3 (d) "County age index" means the percentage of the population age 65 and over within
11.4 the county divided by the percentage of the population age 65 and over within the state,
11.5 except that the age index for any county may not be greater than 1.8 nor less than 0.8.

11.6 (e) "Population age 65 and over" means the population age 65 and over established as
11.7 of July 15 in an aid calculation year by the most recent federal census, by a special census
11.8 conducted under contract with the United States Bureau of the Census, by a population
11.9 estimate made by the Metropolitan Council, or by a population estimate of the state
11.10 demographer made pursuant to section 4A.02, whichever is the most recent as to the stated
11.11 date of the count or estimate for the preceding calendar year and which has been certified
11.12 to the commissioner of revenue on or before July 15 of the aid calculation year. A revision
11.13 to an estimate or count is effective for these purposes only if certified to the commissioner
11.14 on or before July 15 of the aid calculation year. Clerical errors in the certification or use of
11.15 estimates and counts established as of July 15 in the aid calculation year are subject to
11.16 correction within the time periods allowed under section 477A.014.

11.17 (f) "Part I crimes" means the three-year average annual number of Part I crimes reported
11.18 for each county by the Department of Public Safety for the most recent years available. By
11.19 July 1 of each year, the commissioner of public safety shall certify to the commissioner of
11.20 revenue the number of Part I crimes reported for each county for the three most recent
11.21 calendar years available.

11.22 (g) "Households receiving food stamps" means the average monthly number of
11.23 households receiving food stamps for the three most recent years for which data is available.
11.24 By July 1 of each year, the commissioner of human services must certify to the commissioner
11.25 of revenue the average monthly number of households in the state and in each county that
11.26 receive food stamps, for the three most recent calendar years available.

11.27 (h) "County net tax capacity" means the county's adjusted net tax capacity under section
11.28 273.1325, provided that in the case of a county containing one or more municipalities
11.29 located in the area described in section 473F.02, subdivision 2, the county's adjusted net
11.30 tax capacity must utilize the initial distribution net tax capacities of municipalities in the
11.31 county under section 473F.07, subdivision 4, rather than the distribution net tax capacities
11.32 of municipalities in the county under section 473F.07, subdivision 5.

11.33 **EFFECTIVE DATE.** This section is effective for aids payable in 2020 and thereafter.

APPENDIX
Article locations in HF3776-1

ARTICLE 1 METROPOLITAN CONGESTION MANAGEMENT..... Page.Ln 1.11
ARTICLE 2 METROPOLITAN FISCAL DISPARITIES REFORM..... Page.Ln 6.10