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State of Minnesota

HOUSE OF REPRESENTATIVES

NINETY-THIRD SESSION

H. F. No. **3436**

02/12/2024 Authored by Tabke
The bill was read for the first time and referred to the Committee on Transportation Finance and Policy
02/22/2024 Adoption of Report: Amended and re-referred to the Committee on Ways and Means
02/26/2024 By motion, recalled and re-referred to the Committee on Transportation Finance and Policy

1.1 A bill for an act

1.2 relating to transportation; modifying various policies, including but not limited to

1.3 legislative routes, driving rules, small business contract preferences, nondivisible

1.4 loads, and greater Minnesota transit programs; making technical corrections;

1.5 appropriating money; amending Minnesota Statutes 2022, sections 161.115,

1.6 subdivisions 116, 117, by adding a subdivision; 161.321, subdivisions 2, 2b;

1.7 169.19, subdivision 2; 169.34, subdivision 1; 169.444, subdivision 4; 169.80, by

1.8 adding a subdivision; 174.03, subdivision 12; 174.22, subdivisions 2b, 7, 12, 14,

1.9 by adding subdivisions; 174.23, subdivision 2; 174.24, subdivisions 1a, 3b, 3c;

1.10 174.247; 473.121, subdivision 19; Minnesota Statutes 2023 Supplement, sections

1.11 4.076, subdivision 3; 161.045, subdivision 3; 168.1259, subdivision 5; 174.40,

1.12 subdivision 4a; 256B.0625, subdivision 17; 609.855, subdivision 7; Laws 2021,

1.13 First Special Session chapter 5, article 4, section 114; Laws 2023, chapter 68,

1.14 article 1, section 2, subdivision 4; article 2, section 2, subdivisions 3, 4, 5, 7, 9;

1.15 proposing coding for new law in Minnesota Statutes, chapter 174; repealing

1.16 Minnesota Statutes 2022, sections 169.011, subdivision 70; 169.25; 174.22,

1.17 subdivisions 5, 15; 174.23, subdivision 7; Minnesota Rules, parts 8835.0110,

1.18 subparts 1, 1a, 6, 7, 10, 11a, 12a, 12b, 13a, 14a, 15, 15a, 16, 17, 18, 19; 8835.0210;

1.19 8835.0220; 8835.0230; 8835.0240; 8835.0250; 8835.0260; 8835.0265; 8835.0270;

1.20 8835.0275; 8835.0280; 8835.0290; 8835.0310; 8835.0320; 8835.0330, subparts

1.21 1, 3, 4; 8835.0350, subparts 1, 3, 4, 5.

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

1.23 **ARTICLE 1**

1.24 **MISCELLANEOUS POLICY**

1.25 Section 1. Minnesota Statutes 2023 Supplement, section 4.076, subdivision 3, is amended

1.26 to read:

1.27 Subd. 3. **Membership; chair.** (a) The advisory council consists of the following

1.28 members:

1.29 (1) the chair, which is filled on a two-year rotating basis by a designee from:

- 2.1 (i) the Office of Traffic Safety in the Department of Public Safety;
- 2.2 (ii) the Office of Traffic Engineering in the Department of Transportation; and
- 2.3 (iii) the Injury and Violence Prevention Section in the Department of Health;
- 2.4 (2) two vice chairs, which must be filled by the two designees who are not currently
- 2.5 serving as chair of the advisory council under clause (1);
- 2.6 (3) the statewide Toward Zero Deaths coordinator;
- 2.7 (4) a regional coordinator from the Toward Zero Deaths program;
- 2.8 (5) the chief of the State Patrol or a designee;
- 2.9 (6) the state traffic safety engineer in the Department of Transportation or a designee;
- 2.10 (7) a law enforcement liaison from the Department of Public Safety;
- 2.11 (8) a representative from the Department of Human Services;
- 2.12 (9) a representative from the Department of Education;
- 2.13 (10) a representative from the Council on Disability;
- 2.14 (11) a representative for Tribal governments;
- 2.15 (12) a representative from the Center for Transportation Studies at the University of
- 2.16 Minnesota;
- 2.17 (13) a representative from the Minnesota Chiefs of Police Association;
- 2.18 (14) a representative from the Minnesota Sheriffs' Association;
- 2.19 (15) a representative from the Minnesota Safety Council;
- 2.20 (16) a representative from AAA Minnesota;
- 2.21 (17) a representative from the Minnesota Trucking Association;
- 2.22 (18) a representative from the Insurance Federation of Minnesota;
- 2.23 (19) a representative from the Association of Minnesota Counties;
- 2.24 (20) a representative from the League of Minnesota Cities;
- 2.25 (21) the American Bar Association State Judicial Outreach Liaison;
- 2.26 (22) a representative from the City Engineers Association of Minnesota;
- 2.27 (23) a representative from the Minnesota County Engineers Association;
- 2.28 (24) a representative from the Bicycle Alliance of Minnesota;

- 3.1 (25) two individuals representing vulnerable road users, including pedestrians, bicyclists,
3.2 and other operators of a personal conveyance;
- 3.3 (26) a representative from Minnesota Operation Lifesaver;
- 3.4 (27) a representative from the Minnesota Driver and Traffic Safety Education Association;
- 3.5 (28) a representative from the Minnesota Association for Pupil Transportation;
- 3.6 (29) a representative from the State Trauma Advisory Council;
- 3.7 (30) a person representing metropolitan planning organizations; ~~and~~
- 3.8 (31) a person representing contractors engaged in construction and maintenance of
3.9 highways and other infrastructure;
- 3.10 (32) the director of the Minnesota Emergency Medical Services Regulatory Board; and
- 3.11 (33) a person representing a victims advocacy organization.

3.12 (b) The commissioners of public safety and transportation must jointly appoint the
3.13 advisory council members under paragraph (a), clauses (11), (25), (30), ~~and~~ (31), and (33).

3.14 Sec. 2. Minnesota Statutes 2023 Supplement, section 161.045, subdivision 3, is amended
3.15 to read:

3.16 Subd. 3. **Limitations on spending.** (a) A commissioner must not pay for any of the
3.17 following with funds from the highway user tax distribution fund or the trunk highway fund:

- 3.18 (1) Bureau of Criminal Apprehension laboratory;
- 3.19 (2) Explore Minnesota Tourism kiosks;
- 3.20 (3) Minnesota Safety Council;
- 3.21 (4) driver education programs;
- 3.22 (5) Emergency Medical Services Regulatory Board;
- 3.23 (6) Mississippi River Parkway Commission;
- 3.24 (7) payments to the Department of Information Technology Services in excess of actual
3.25 costs incurred for trunk highway purposes;
- 3.26 (8) personnel costs incurred on behalf of the governor's office;
- 3.27 (9) the Office of Aeronautics within the Department of Transportation;
- 3.28 (10) the Office of Transit and Active Transportation within the Department of
3.29 Transportation;

- 4.1 (11) the Office of Passenger Rail;
- 4.2 (12) purchase and maintenance of soft body armor under section 299A.38;
- 4.3 (13) tourist information centers;
- 4.4 (14) parades, events, or sponsorships of events;
- 4.5 ~~(15) the installation, construction, expansion, or maintenance of public electric vehicle~~
- 4.6 ~~infrastructure;~~
- 4.7 ~~(16)~~ (15) the statewide notification center for excavation services pursuant to chapter
- 4.8 216D; and
- 4.9 ~~(17)~~ (16) manufacturing license plates.

4.10 (b) The prohibition in paragraph (a) includes all expenses for the named entity or program,

4.11 including but not limited to payroll, purchased services, supplies, repairs, and equipment.

4.12 This prohibition on spending applies to any successor entities or programs that are

4.13 substantially similar to the entity or program named in this subdivision.

4.14 Sec. 3. Minnesota Statutes 2022, section 161.115, subdivision 116, is amended to read:

4.15 Subd. 116. **Route No. 185.** Beginning at a point on Route No. 1 ~~at Sandstone~~ and Route

4.16 No. 390, thence extending in a northeasterly direction to a point on Route No. 103 as herein

4.17 established in Duluth.

4.18 **EFFECTIVE DATE.** This section is effective the day after the commissioner of

4.19 transportation receives a copy of the agreement between the commissioner and the governing

4.20 body of Pine County to transfer jurisdiction of a portion of Legislative Route No. 185 and

4.21 notifies the revisor of statutes electronically or in writing that the conditions required to

4.22 transfer the route have been satisfied.

4.23 Sec. 4. Minnesota Statutes 2022, section 161.115, subdivision 117, is amended to read:

4.24 Subd. 117. **Route No. 186.** Beginning at a point on Route No. 110 as herein established,

4.25 thence extending in an easterly direction to a point on Route No. ~~185 as herein established~~

4.26 ~~at or near Askov~~ 1 and Route No. 390; affording Isle, and Finlayson, ~~and Askov~~, a reasonable

4.27 means of communication each with the other and other places within the state.

4.28 **EFFECTIVE DATE.** This section is effective the day after the commissioner of

4.29 transportation notifies the revisor of statutes electronically or in writing of the effective

4.30 date.

5.1 Sec. 5. Minnesota Statutes 2022, section 161.115, is amended by adding a subdivision to
5.2 read:

5.3 Subd. 272. **Route No. 341.** Beginning at a point on Route No. 1 at Sandstone, thence
5.4 extending in a generally easterly direction to a point at or near the east bank of the Kettle
5.5 River.

5.6 **EFFECTIVE DATE.** This section is effective the day after the commissioner of
5.7 transportation notifies the revisor of statutes electronically or in writing of the effective
5.8 date.

5.9 Sec. 6. Minnesota Statutes 2022, section 161.321, subdivision 2, is amended to read:

5.10 Subd. 2. **Small targeted group business, small business; contract preferences.** (a)
5.11 The commissioner may award up to a ~~six~~ 12 percent preference in the amount bid for
5.12 specified construction work to small targeted group businesses.

5.13 (b) The commissioner may designate a contract for construction work for award only
5.14 to small targeted group businesses if the commissioner determines that at least three small
5.15 targeted group businesses are likely to bid.

5.16 (c) The commissioner may award up to a four percent preference in the amount bid for
5.17 specified construction work to small businesses located in an economically disadvantaged
5.18 area as defined in section 16C.16, subdivision 7.

5.19 Sec. 7. Minnesota Statutes 2022, section 161.321, subdivision 2b, is amended to read:

5.20 Subd. 2b. **Veteran-owned small business; contract preferences.** (a) The commissioner
5.21 may award up to a ~~six~~ 12 percent preference in the amount bid for specified construction
5.22 work to veteran-owned small businesses, except when prohibited by the federal government
5.23 as a condition of receiving federal funds. When a bid preference is provided under this
5.24 section, the percentage of preference in bid amount under this subdivision may not be less
5.25 than the percentage of bid preference provided to any small targeted group business under
5.26 subdivision 2.

5.27 (b) When a bid preference is provided under this subdivision, the commissioner must
5.28 be as inclusive as possible in specifying contracts for construction work, as well as for
5.29 construction-related professional and technical services, available under this bid preference
5.30 program for veteran-owned small businesses. The term "construction" must be given broad
5.31 meaning for purposes of specifying and letting contracts for veteran-owned small businesses

6.1 and must include, but is not limited to, preplanning, planning, and all other
6.2 construction-related professional and technical services.

6.3 (c) When a bid preference is provided under this subdivision, the commissioner must
6.4 strive to ensure that contracts will be awarded on a proportional basis with contracts awarded
6.5 under subdivision 2.

6.6 (d) The commissioner may designate a contract for construction work for award only
6.7 to veteran-owned small businesses, if the commissioner determines that at least three
6.8 veteran-owned small businesses are likely to bid.

6.9 Sec. 8. Minnesota Statutes 2023 Supplement, section 168.1259, subdivision 5, is amended
6.10 to read:

6.11 Subd. 5. **Contributions; account; appropriation.** Contributions collected under
6.12 subdivision 2, paragraph (a), clause (5), must be deposited in the Minnesota professional
6.13 sports team foundations account, which is established in the special revenue fund. Money
6.14 in the account is annually appropriated to the commissioner of public safety. This
6.15 appropriation is first for the annual cost of administering the account funds, and the remaining
6.16 funds are for distribution to the foundations in proportion to the total number of Minnesota
6.17 professional sports team foundation plates issued for that year. Proceeds from a plate that
6.18 includes the marks and colors of all foundations must be divided evenly between all
6.19 foundations. The foundations must only use the proceeds for philanthropic or charitable
6.20 purposes.

6.21 **EFFECTIVE DATE.** This section is effective the day following final enactment.

6.22 Sec. 9. Minnesota Statutes 2022, section 169.19, subdivision 2, is amended to read:

6.23 Subd. 2. **U-turn.** ~~No vehicle shall be turned~~ The operator of a vehicle must not turn
6.24 proceed in the opposite direction upon any curve, or upon the approach to or near the crest
6.25 of a grade, where the vehicle cannot be seen by the driver operator of any other vehicle
6.26 approaching from either direction within 1,000 feet, ~~nor shall the driver~~ The operator of a
6.27 vehicle must not turn the vehicle to proceed in the opposite direction unless the movement
6.28 can be made safely and without interfering with other traffic. ~~When necessary to~~
6.29 ~~accommodate vehicle configuration on~~ The operator of a vehicle is permitted to make a
6.30 right-hand turn into the farthest lane of a roadway with two or more lanes in the same
6.31 direction, a driver may turn the vehicle into the farthest lane and temporarily use the shoulder
6.32 to make a U-turn in order to make a U-turn at a reduced-conflict intersection if it is safe to
6.33 do so.

7.1 Sec. 10. Minnesota Statutes 2022, section 169.34, subdivision 1, is amended to read:

7.2 Subdivision 1. **Prohibitions.** (a) ~~No person shall~~ A person must not stop, stand, or park
7.3 a vehicle, except when necessary to avoid conflict with other traffic or in compliance with
7.4 the directions of a police officer or traffic-control device, in any of the following places:

7.5 (1) on a sidewalk;

7.6 (2) in front of a public or private driveway;

7.7 (3) within an intersection;

7.8 (4) within ten feet of a fire hydrant;

7.9 (5) on a crosswalk;

7.10 (6) within 20 feet of a crosswalk at an intersection;

7.11 (7) within 30 feet upon the approach to any flashing beacon, stop sign, or traffic-control
7.12 signal located at the side of a roadway;

7.13 ~~(8) between a safety zone and the adjacent curb or within 30 feet of points on the curb~~
7.14 ~~immediately opposite the ends of a safety zone, unless a different length is indicated by~~
7.15 ~~signs or markings;~~

7.16 ~~(9)~~ (8) within 50 feet of the nearest rail of a railroad crossing;

7.17 ~~(10)~~ (9) within 20 feet of the driveway entrance to any fire station and on the side of a
7.18 street opposite the entrance to any fire station within 75 feet of said entrance when properly
7.19 signposted;

7.20 ~~(11)~~ (10) alongside or opposite any street excavation or obstruction when such stopping,
7.21 standing, or parking would obstruct traffic;

7.22 ~~(12)~~ (11) on the roadway side of any vehicle stopped or parked at the edge or curb of a
7.23 street;

7.24 ~~(13)~~ (12) upon any bridge or other elevated structure upon a highway or within a highway
7.25 tunnel, except as otherwise provided by ordinance;

7.26 ~~(14)~~ (13) within a bicycle lane, except when posted signs permit parking; or

7.27 ~~(15)~~ (14) at any place where official signs prohibit stopping.

7.28 (b) No person shall move a vehicle not owned by such person into any prohibited area
7.29 or away from a curb such distance as is unlawful.

8.1 (c) ~~No person shall~~ A person must not, for camping purposes, leave or park a travel
8.2 trailer on or within the limits of any highway or on any highway right-of-way, except where
8.3 signs are erected designating the place as a campsite.

8.4 (d) ~~No person shall~~ A person must not stop or park a vehicle on a street or highway when
8.5 directed or ordered to proceed by any peace officer invested by law with authority to direct,
8.6 control, or regulate traffic.

8.7 Sec. 11. Minnesota Statutes 2022, section 169.444, subdivision 4, is amended to read:

8.8 Subd. 4. **Exception for separated roadway.** (a) A person driving a vehicle on a street
8.9 or highway with separated roadways is not required to stop the vehicle when approaching
8.10 or meeting a school bus that is on a different roadway.

8.11 (b) "Separated roadway" means a road that is separated from a parallel road by a barrier,
8.12 safety isle, or ~~safety zone~~ median.

8.13 Sec. 12. Minnesota Statutes 2022, section 169.80, is amended by adding a subdivision to
8.14 read:

8.15 Subd. 4. **Nondivisible load or vehicle.** (a) "Nondivisible load" or "nondivisible vehicle"
8.16 means any load or vehicle exceeding the applicable length, width, height, or weight limits
8.17 set forth in this chapter, which, if separated into smaller loads or vehicles would:

8.18 (1) compromise the intended use of the load or vehicle;

8.19 (2) destroy the value of the load or vehicle; or

8.20 (3) require more than eight work hours to dismantle using appropriate equipment. The
8.21 applicant for a nondivisible load permit has the burden of proof as to the number of work
8.22 hours required to dismantle the load.

8.23 (b) A vehicle transporting a divisible load may simultaneously transport multiple items
8.24 unless doing so would require an additional permit because the vehicle, when loaded with
8.25 multiple items, would exceed the limits set forth in this chapter.

8.26 Sec. 13. Minnesota Statutes 2022, section 174.03, subdivision 12, is amended to read:

8.27 Subd. 12. **Trunk highway performance, resiliency, and sustainability.** (a) The
8.28 commissioner must implement performance measures and ~~annual~~ targets for the trunk
8.29 highway system in order to construct resilient infrastructure, enhance the project selection
8.30 for all transportation modes, improve economic security, and achieve the state transportation
8.31 goals established in section 174.01.

9.1 (b) At a minimum, the transportation planning process must include:

9.2 (1) an inventory of transportation assets, including but not limited to bridge, pavement,
9.3 geotechnical, pedestrian, bicycle, and transit asset categories;

9.4 (2) ~~lag (resulting), and where practicable lead (predictive),~~ establishment of statewide
9.5 performance measures and annual targets, reporting of performance measure results, and
9.6 where possible, performance forecasts that are:

9.7 (i) statewide and, where data allow, district-specific;

9.8 (ii) for assets in each asset category specified in clause (1) ~~for a period of up to 60 years;~~
9.9 and

9.10 (iii) identified in collaboration with the public;

9.11 (3) gap identification and an explanation of the difference between performance targets
9.12 and current status; and

9.13 (4) life cycle assessment and corridor risk assessment as part of asset management
9.14 programs in each district of the department.

9.15 (c) At a minimum, the ten-year capital highway investment plan in each district of the
9.16 department must:

9.17 (1) be based on expected funding during the plan period;

9.18 (2) identify investments within each of the asset categories specified in paragraph (b),
9.19 clause (1), that are funded through the trunk highway capital program;

9.20 (3) ~~recommend~~ identify specific trunk highway segments programmed to be removed
9.21 from the trunk highway system; and

9.22 (4) deliver annual progress toward achieving the state transportation goals established
9.23 in section 174.01.

9.24 (d) Annually by December 15, the commissioner must report trunk highway performance
9.25 measures and ~~annual~~ targets and identify gaps, including information detailing the
9.26 department's progress on achieving the state transportation goals, to the chairs and ranking
9.27 minority members of the legislative committees having jurisdiction over transportation
9.28 policy and finance. ~~The report must be signed by the department's chief engineer.~~

10.1 Sec. 14. Minnesota Statutes 2023 Supplement, section 174.40, subdivision 4a, is amended
10.2 to read:

10.3 Subd. 4a. **Eligibility.** A statutory or home rule charter city, county, town, or federally
10.4 recognized Indian Tribe is eligible to receive funding under this section. A statutory or home
10.5 rule charter city, county, or town is eligible to receive funding for infrastructure projects
10.6 under this section only if it has adopted subdivision regulations that require safe routes to
10.7 school infrastructure in developments authorized on or after June 1, 2016.

10.8 Sec. 15. **[174.595] TRANSPORTATION FACILITIES CAPITAL PROGRAM.**

10.9 Subdivision 1. Definitions. (a) For purposes of this section, the following terms have
10.10 the meanings given.

10.11 (b) "Capital building asset" includes but is not limited to district headquarters buildings,
10.12 truck stations, salt storage or other unheated storage buildings, deicing and anti-icing
10.13 facilities, fuel dispensing facilities, highway rest areas, and vehicle weigh and inspection
10.14 stations.

10.15 (c) "Commissioner" means the commissioner of transportation.

10.16 (d) "Department" means the Department of Transportation.

10.17 (e) "Program" means the transportation facilities capital program established in this
10.18 section.

10.19 Subd. 2. Program established. The commissioner must establish a transportation
10.20 facilities capital program in conformance with this section to provide for capital building
10.21 asset projects related to buildings and other capital facilities of the department.

10.22 Subd. 3. Transportation facilities capital accounts. (a) A transportation facilities
10.23 capital account is established in the trunk highway fund. The account consists of money
10.24 appropriated from the trunk highway fund for the purposes of the program and any other
10.25 money donated, allotted, transferred, or otherwise provided to the account by law.

10.26 (b) A transportation facilities capital subaccount is established in the bond proceeds
10.27 account in the trunk highway fund. The account consists of trunk highway bond proceeds
10.28 appropriated to the commissioner for the purposes of the program. Money in the account
10.29 may only be expended on trunk highway purposes, including the purposes specified in this
10.30 section.

10.31 Subd. 4. Implementation standards. The commissioner must establish a process to
10.32 implement the program that includes allocation of funding based on review of eligible

11.1 projects as provided under subdivision 5 and prioritization as provided under subdivision
 11.2 6. The process must be in conformance with trunk highway fund uses for the purposes of
 11.3 constructing, improving, and maintaining the trunk highway system in the state pursuant
 11.4 to the Minnesota Constitution, article XIV.

11.5 Subd. 5. **Eligible expenditures.** A project is eligible under this section only if it:

11.6 (1) involves the construction, improvement, or maintenance of a capital building asset
 11.7 that is part of the trunk highway system; and

11.8 (2) performs at least one of the following:

11.9 (i) supports the programmatic mission of the department;

11.10 (ii) extends the useful life of existing buildings; or

11.11 (iii) renovates or constructs facilities to meet the department's current and future
 11.12 operational needs.

11.13 Subd. 6. **Prioritization.** In prioritizing funding allocation among projects under the
 11.14 program, the commissioner must consider:

11.15 (1) whether a project ensures effective and efficient condition and operation of the
 11.16 facility;

11.17 (2) the urgency in ensuring the safe use of existing buildings;

11.18 (3) the project's total life-cycle cost;

11.19 (4) additional criteria for priorities otherwise specified in law that apply to a category
 11.20 listed in the act making an appropriation for the program; and

11.21 (5) any other criteria the commissioner deems necessary.

11.22 **EFFECTIVE DATE.** This section is effective the day following final enactment.

11.23 Sec. 16. Laws 2021, First Special Session chapter 5, article 4, section 114, the effective
 11.24 date, is amended to read:

11.25 **EFFECTIVE DATE; APPLICATION.** This section is effective July 1, ~~2024~~ 2023,
 11.26 and applies beginning with the November ~~2024~~ 2023 forecast for each fiscal year beginning
 11.27 on or after July 1, 2025. This section applies in the counties of Anoka, Carver, Dakota,
 11.28 Hennepin, Ramsey, Scott, and Washington.

11.29 **EFFECTIVE DATE.** This section is effective retroactively from July 1, 2023.

12.1 Sec. 17. Laws 2023, chapter 68, article 1, section 2, subdivision 4, is amended to read:

12.2 **Subd. 4. Local Roads**

12.3 (a) County State-Aid Highways	917,782,000	991,615,000
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12.4 This appropriation is from the county state-aid
 12.5 highway fund under Minnesota Statutes,
 12.6 sections 161.081, 174.49, and 297A.815,
 12.7 subdivision 3, and chapter 162, and is
 12.8 available until June 30, 2033.

12.9 If the commissioner of transportation
 12.10 determines that a balance remains in the
 12.11 county state-aid highway fund following the
 12.12 appropriations and transfers made in this
 12.13 paragraph and that the appropriations made
 12.14 are insufficient for advancing county state-aid
 12.15 highway projects, an amount necessary to
 12.16 advance the projects, not to exceed the balance
 12.17 in the county state-aid highway fund, is
 12.18 appropriated in each year to the commissioner.

12.19 Within two weeks of a determination under
 12.20 this contingent appropriation, the
 12.21 commissioner of transportation must notify
 12.22 the commissioner of management and budget
 12.23 and the chairs, ranking minority members, and
 12.24 staff of the legislative committees with
 12.25 jurisdiction over transportation finance
 12.26 concerning funds appropriated. The governor
 12.27 must identify in the next budget submission
 12.28 to the legislature under Minnesota Statutes,
 12.29 section 16A.11, any amount that is
 12.30 appropriated under this paragraph.

12.31 (b) Municipal State-Aid Streets	236,360,000	251,748,000
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12.32 This appropriation is from the municipal
 12.33 state-aid street fund under Minnesota Statutes,
 12.34 chapter 162, and is available until June 30,
 12.35 2033.

13.1 If the commissioner of transportation
 13.2 determines that a balance remains in the
 13.3 municipal state-aid street fund following the
 13.4 appropriations and transfers made in this
 13.5 paragraph and that the appropriations made
 13.6 are insufficient for advancing municipal
 13.7 state-aid street projects, an amount necessary
 13.8 to advance the projects, not to exceed the
 13.9 balance in the municipal state-aid street fund,
 13.10 is appropriated in each year to the
 13.11 commissioner. Within two weeks of a
 13.12 determination under this contingent
 13.13 appropriation, the commissioner of
 13.14 transportation must notify the commissioner
 13.15 of management and budget and the chairs,
 13.16 ranking minority members, and staff of the
 13.17 legislative committees with jurisdiction over
 13.18 transportation finance concerning funds
 13.19 appropriated. The governor must identify in
 13.20 the next budget submission to the legislature
 13.21 under Minnesota Statutes, section 16A.11, any
 13.22 amount that is appropriated under this
 13.23 paragraph.

13.24 **(c) Other Local Roads**

13.25 **(1) Local Bridges** 18,013,000 -0-

13.26 This appropriation is from the general fund to
 13.27 replace or rehabilitate local deficient bridges
 13.28 under Minnesota Statutes, section 174.50. This
 13.29 is a onetime appropriation and is available
 13.30 until June 30, 2027.

13.31 **(2) Local Road Improvement** 18,013,000 -0-

13.32 This appropriation is from the general fund
 13.33 for construction and reconstruction of local
 13.34 roads under Minnesota Statutes, section

14.1 174.52. This is a onetime appropriation and
 14.2 is available until June 30, 2027.

14.3 **(3) Local Transportation Disaster Support** 4,300,000 1,000,000

14.4 This appropriation is from the general fund to
 14.5 provide:

14.6 (i) a cost-share for federal assistance from the
 14.7 Federal Highway Administration for the
 14.8 emergency relief program under United States
 14.9 Code, title 23, section 125.; and

14.10 (ii) assistance for roadway damage on the
 14.11 state-aid or federal-aid system associated with
 14.12 state or federally declared disasters ineligible
 14.13 for assistance from existing state and federal
 14.14 disaster programs.

14.15 Of the appropriation in fiscal year 2024,
 14.16 \$3,300,000 is onetime and is available until
 14.17 June 30, 2027.

14.18 **(4) Metropolitan Counties** 20,000,000 -0-

14.19 This appropriation is from the general fund
 14.20 for distribution to metropolitan counties as
 14.21 provided under Minnesota Statutes, section
 14.22 174.49, subdivision 5, for use in conformance
 14.23 with the requirements under Minnesota
 14.24 Statutes, section 174.49, subdivision 6.

14.25 Sec. 18. Laws 2023, chapter 68, article 2, section 2, subdivision 3, is amended to read:

14.26 **Subd. 3. Transportation Facilities Capital**
 14.27 **Improvements** 87,440,000

14.28 This appropriation is for ~~capital improvements~~
 14.29 ~~to Department of Transportation facilities. The~~
 14.30 ~~improvements must: (1) support the~~
 14.31 ~~programmatic mission of the department; (2)~~
 14.32 ~~extend the useful life of existing buildings; or~~
 14.33 ~~(3) renovate or construct facilities to meet the~~

15.1 ~~department's current and future operational~~
 15.2 ~~needs~~ the transportation facilities capital
 15.3 program under Minnesota Statutes, section
 15.4 174.595.

15.5 **EFFECTIVE DATE.** This section is effective the day following final enactment.

15.6 Sec. 19. Laws 2023, chapter 68, article 2, section 2, subdivision 4, is amended to read:

15.7 Subd. 4. **Trunk Highway 65; Anoka County** 68,750,000

15.8 This appropriation is for ~~one or more grants~~
 15.9 ~~to the city of Blaine, Anoka County, or both~~
 15.10 ~~for the~~ predesign, right-of-way acquisition,
 15.11 design, engineering, and construction of
 15.12 intersection improvements along Trunk
 15.13 Highway 65 at 99th Avenue Northeast; 105th
 15.14 Avenue Northeast; Anoka County State-Aid
 15.15 Highway 12; 109th Avenue Northeast; 117th
 15.16 Avenue Northeast; and the associated frontage
 15.17 roads and backage roads within the trunk
 15.18 highway system.

15.19 **EFFECTIVE DATE.** This section is effective the day following final enactment.

15.20 Sec. 20. Laws 2023, chapter 68, article 2, section 2, subdivision 5, is amended to read:

15.21 Subd. 5. **U.S. Highway 10; Coon Rapids** 30,000,000

15.22 This appropriation is for ~~a grant to Anoka~~
 15.23 ~~County~~ for preliminary engineering,
 15.24 environmental analysis, final design,
 15.25 right-of-way acquisition, construction, and
 15.26 construction administration of a third travel
 15.27 lane in each direction of marked U.S. Highway
 15.28 10 from east of the interchange with Hanson
 15.29 Boulevard to Round Lake Boulevard in the
 15.30 city of Coon Rapids.

15.31 **EFFECTIVE DATE.** This section is effective the day following final enactment.

16.1 Sec. 21. Laws 2023, chapter 68, article 2, section 2, subdivision 7, is amended to read:

16.2 Subd. 7. **U.S. Highway 169 Interchange; Scott**
 16.3 **County** 4,200,000

16.4 This appropriation is ~~for a grant to Scott~~
 16.5 ~~County~~ to design and construct trunk highway
 16.6 improvements associated with an interchange
 16.7 at U.S. Highway 169, marked Trunk Highway
 16.8 282, and Scott County State-Aid Highway 9
 16.9 in the city of Jordan, including
 16.10 accommodations for bicycles and pedestrians
 16.11 and for bridge and road construction.

16.12 **EFFECTIVE DATE.** This section is effective the day following final enactment.

16.13 Sec. 22. Laws 2023, chapter 68, article 2, section 2, subdivision 9, is amended to read:

16.14 Subd. 9. **U.S. Highway 8; Chisago County** 42,000,000

16.15 This appropriation is for a ~~grant to Chisago~~
 16.16 ~~County~~ for predesign, design, engineering,
 16.17 and reconstruction of marked U.S. Highway
 16.18 8 from Karmel Avenue in Chisago City to
 16.19 marked Interstate Highway 35, including
 16.20 pedestrian and bike trails along and crossings
 16.21 of this segment of marked U.S. Highway 8.
 16.22 The reconstruction project may include
 16.23 expanding segments of marked U.S. Highway
 16.24 8 to four lanes, constructing or reconstructing
 16.25 frontage roads and backage roads, and
 16.26 realigning local roads to consolidate, remove,
 16.27 and relocate access onto and off of U.S.
 16.28 Highway 8. This appropriation is for the
 16.29 portion of the project that is eligible for use
 16.30 of proceeds of trunk highway bonds. ~~This~~
 16.31 ~~appropriation is not available until the~~
 16.32 ~~commissioner of management and budget~~
 16.33 ~~determines that sufficient resources have been~~

17.1 ~~committed from nonstate sources to complete~~
17.2 ~~the project.~~

17.3 **EFFECTIVE DATE.** This section is effective the day following final enactment.

17.4 Sec. 23. **REPEALER.**

17.5 Minnesota Statutes 2022, sections 169.011, subdivision 70; and 169.25, are repealed.

17.6 **ARTICLE 2**

17.7 **GREATER MINNESOTA TRANSIT PROGRAM**

17.8 Section 1. Minnesota Statutes 2022, section 174.22, is amended by adding a subdivision
17.9 to read:

17.10 Subd. 1a. **Complementary paratransit service (ADA).** "Complementary paratransit
17.11 service (ADA)" means public transportation service provided on a regular basis where fixed
17.12 route public transit service exists and is designed exclusively or primarily to serve individuals
17.13 who are elderly or disabled and unable to use regular means of public transportation.

17.14 Sec. 2. Minnesota Statutes 2022, section 174.22, subdivision 2b, is amended to read:

17.15 Subd. 2b. **Elderly and disabled service.** "Elderly and disabled service" means
17.16 transportation service provided on a regular basis in small urbanized or large urbanized
17.17 areas and designed exclusively or primarily to serve individuals who are elderly or disabled
17.18 and unable to use regular means of public transportation.

17.19 Sec. 3. Minnesota Statutes 2022, section 174.22, is amended by adding a subdivision to
17.20 read:

17.21 Subd. 3a. **Large urbanized area service.** "Large urbanized area service" means a public
17.22 transportation service operated in areas located outside the metropolitan area with a
17.23 population greater than 200,000 that is designated by the United States Census Bureau.
17.24 Large urbanized area service does not include complementary paratransit service (ADA),
17.25 as defined in subdivision 1a.

17.26 Sec. 4. Minnesota Statutes 2022, section 174.22, subdivision 7, is amended to read:

17.27 Subd. 7. **Public transit or transit transportation.** ~~"Public transit" or "transit" means~~
17.28 ~~general or specific transportation service provided to the public on a regular and continuing~~
17.29 ~~basis. "Public transit" or "transit" includes paratransit and regular route transit. "Public~~

18.1 transportation" means regular, continuing shared-ride surface transportation services that
 18.2 are open to the general public or open to a segment of the general public defined by age,
 18.3 disability, or low income. Public transportation does not include:

18.4 (1) intercity passenger rail transportation provided by the entity described in United
 18.5 States Code, title 49, section 243, or a successor entity;

18.6 (2) intercity bus service;

18.7 (3) charter bus service;

18.8 (4) school bus service;

18.9 (5) sightseeing service;

18.10 (6) courtesy shuttle service for patrons of one or more specific establishments; or

18.11 (7) intraterminal or intrafacility shuttle services.

18.12 Sec. 5. Minnesota Statutes 2022, section 174.22, subdivision 12, is amended to read:

18.13 Subd. 12. **Rural area service.** "Rural area service" means a public transportation service
 18.14 ~~primarily operated in an area having population centers of less than 2,500 persons~~ rural
 18.15 areas that have not been designated in the most recent decennial census as an urbanized
 18.16 area by the United States Census Bureau.

18.17 Sec. 6. Minnesota Statutes 2022, section 174.22, subdivision 14, is amended to read:

18.18 Subd. 14. **Small ~~urban~~ urbanized area service.** "Small ~~urban~~ urbanized area service"
 18.19 means a public transportation service ~~operating in an area with a population between 2,500~~
 18.20 ~~and 50,000~~ operated in areas located outside the metropolitan area with a population of at
 18.21 least 50,000 but less than 200,000 that is designated by the United States Census Bureau.
 18.22 Small urbanized area service does not include complementary paratransit service (ADA),
 18.23 as defined in subdivision 1a.

18.24 Sec. 7. Minnesota Statutes 2022, section 174.23, subdivision 2, is amended to read:

18.25 Subd. 2. **Financial assistance; application, approval.** (a) The commissioner ~~shall~~ must
 18.26 seek out and select eligible recipients of financial assistance under sections 174.21 to 174.27.

18.27 (b) The commissioner ~~shall~~ must establish ~~by rule~~ the procedures and standards for
 18.28 review and approval of applications for financial assistance submitted to the commissioner
 18.29 pursuant to sections 174.21 to 174.27. Any applicant ~~shall~~ must provide to the commissioner
 18.30 any financial or other information required by the commissioner to carry out the

19.1 commissioner's duties. The commissioner may require local contributions from applicants
19.2 as a condition for receiving financial assistance.

19.3 ~~(c) Before the commissioner approves any grant, the application for the grant may be~~
19.4 ~~reviewed by the appropriate regional development commission only for consistency with~~
19.5 ~~regional transportation plans and development guides. If an applicant proposes a project~~
19.6 ~~within the jurisdiction of a transit authority or commission or a transit system assisted or~~
19.7 ~~operated by a city or county, the application shall also be reviewed by that commission,~~
19.8 ~~authority, or political subdivision for consistency with its transit programs, policies, and~~
19.9 ~~plans.~~

19.10 Sec. 8. Minnesota Statutes 2022, section 174.24, subdivision 1a, is amended to read:

19.11 Subd. 1a. **Greater Minnesota transit investment plan.** (a) The commissioner ~~shall~~
19.12 must develop a greater Minnesota transit investment plan that contains a goal of meeting
19.13 at least 80 percent of total transit service needs in greater Minnesota by July 1, 2015, and
19.14 meeting at least 90 percent of total transit service needs in greater Minnesota by July 1,
19.15 2025.

19.16 (b) The plan must include, but is not limited to, the following:

19.17 (1) an analysis of ridership and total transit service needs throughout greater Minnesota;

19.18 (2) a calculation of the level and type of service required to meet total transit service
19.19 needs, for the transit system classifications as provided under subdivision 3b, paragraph
19.20 (c), of large urbanized area, small urban urbanized area, rural area, and elderly and disabled
19.21 service, and complementary paratransit service (ADA);

19.22 (3) an analysis of costs and revenue options;

19.23 (4) a plan to reduce total transit service needs as specified in this subdivision; and

19.24 (5) identification of the operating and capital costs necessary to meet 100 percent of the
19.25 greater Minnesota transit targeted and projected bus service hours, as identified in the greater
19.26 Minnesota transit plan, for 2010, 2015, 2020, 2025, and 2030.

19.27 (c) The plan must specifically address special transportation service ridership and needs.
19.28 The plan must also provide that recipients of operating assistance under this section provide
19.29 fixed route public transit service without charge for disabled veterans in accordance with
19.30 subdivision 7.

20.1 Sec. 9. Minnesota Statutes 2022, section 174.24, subdivision 3b, is amended to read:

20.2 Subd. 3b. **Operating assistance; recipient classifications.** ~~(a) The commissioner shall~~
 20.3 ~~determine the total operating cost of any public transit system receiving or applying for~~
 20.4 ~~assistance in accordance with generally accepted accounting principles. To be eligible for~~
 20.5 ~~financial assistance, an applicant or recipient shall provide to the commissioner all financial~~
 20.6 ~~records and other information and shall permit any inspection reasonably necessary to~~
 20.7 ~~determine total operating cost and correspondingly the amount of assistance that may be~~
 20.8 ~~paid to the applicant or recipient. Where more than one county or municipality contributes~~
 20.9 ~~assistance to the operation of a public transit system, the commissioner shall identify one~~
 20.10 ~~as lead agency for the purpose of receiving money under this section.~~

20.11 ~~(b)~~ (a) Prior to distributing operating assistance to eligible recipients for any contract
 20.12 period, the commissioner ~~shall~~ must place all recipients into one of the following
 20.13 classifications: large urbanized area service, small urban urbanized area service, rural area
 20.14 service, and elderly and disabled service, and complementary paratransit service (ADA).

20.15 ~~(c)~~ (b) The commissioner ~~shall~~ must distribute ~~funds~~ the operating assistance amount
 20.16 under this section so that the percentage of ~~total contracted operating cost~~ from local sources
 20.17 paid by any recipient ~~from local sources~~ will not exceed the following percentage for that
 20.18 recipient's classification, except as provided in this subdivision. ~~The percentages must be:~~

20.19 (1) for urbanized area service and small urban area service, 20 percent;

20.20 (2) for rural area service, 15 percent; and

20.21 (3) for elderly and disabled service and complementary paratransit service (ADA), 15
 20.22 percent.

20.23 ~~Except as provided in a United States Department of Transportation program allowing or~~
 20.24 ~~requiring a lower percentage to be paid from local sources, the remainder of the recipient's~~
 20.25 ~~total contracted operating cost will be paid from state sources of funds less any assistance~~
 20.26 ~~received by the recipient from the United States Department of Transportation.~~

20.27 ~~(d)~~ (c) For purposes of this subdivision, "local sources" means all local sources of funds
 20.28 and includes all operating revenue, tax levies, and contributions from public funds, ~~except~~
 20.29 ~~that the commissioner may exclude from the total assistance contract revenues derived from~~
 20.30 ~~operations the cost of which is excluded from the computation of total operating cost.~~

20.31 ~~(e)~~ (d) If a recipient informs the commissioner in writing after the establishment of these
 20.32 percentages but prior to the distribution of financial assistance for any year that paying its
 20.33 designated percentage of ~~total operating cost~~ the operating assistance amount from local

21.1 sources will cause undue hardship, the commissioner may reduce the percentage to be paid
 21.2 from local sources by the recipient and increase the percentage to be paid from local sources
 21.3 by one or more other recipients inside or outside the classification. However, the
 21.4 commissioner may not reduce or increase any recipient's percentage under this paragraph
 21.5 for more than two years successively. If for any year the funds appropriated to the
 21.6 commissioner to carry out the purposes of this section are insufficient to allow the
 21.7 commissioner to pay the state share of ~~total operating cost~~ the operating assistance amount
 21.8 as provided in this paragraph, the commissioner ~~shall~~ must reduce the state share in each
 21.9 classification to the extent necessary.

21.10 Sec. 10. Minnesota Statutes 2022, section 174.24, subdivision 3c, is amended to read:

21.11 Subd. 3c. **Nonoperating assistance.** The commissioner ~~shall~~ must determine the total
 21.12 cost of any planning and engineering design, capital assistance, other capital expenditures,
 21.13 and other assistance for public transit services that furthers the purposes of section 174.21
 21.14 for any public transit system receiving or applying for the assistance in accordance with
 21.15 generally accepted accounting principles. The percentage of local sources paid by any
 21.16 recipient must not exceed 20 percent of the awarded amount. To be eligible for
 21.17 non-operating-cost financial assistance, an applicant or recipient ~~shall~~ must provide to the
 21.18 commissioner all financial records and other information and ~~shall~~ must permit any inspection
 21.19 reasonably necessary to determine total cost and the amount of assistance that may be paid
 21.20 to the applicant or recipient. When more than one county or municipality contributes
 21.21 assistance to the operation of a public transit system, the commissioner ~~shall~~ must identify
 21.22 one as a lead agency for the purpose of receiving money under this section. The commissioner
 21.23 has the sole discretion to determine the amount of state funds distributed to any recipient
 21.24 for non-operating-cost assistance.

21.25 Sec. 11. Minnesota Statutes 2022, section 174.247, is amended to read:

21.26 **174.247 ANNUAL TRANSIT REPORT.**

21.27 (a) By February 15 annually, the commissioner ~~shall~~ must submit a report to the
 21.28 legislature on transit services outside the metropolitan area. ~~The Metropolitan Council and~~
 21.29 Any public transit system receiving assistance under section 174.24 ~~shall~~ must provide
 21.30 assistance in creating the report, as requested by the commissioner.

21.31 (b) The report must include, at a minimum, the following:

21.32 (1) a descriptive overview of public transit in Minnesota;

- 22.1 (2) a descriptive summary of funding sources and assistance programs;
- 22.2 (3) a summary of each public transit system receiving assistance under section 174.24;
- 22.3 (4) data that identifies use of volunteers in providing transit service;
- 22.4 (5) financial data that identifies for each public transit system and for each transit system
- 22.5 classification under section 174.24, subdivision 3b:
- 22.6 (i) the operating and capital costs;
- 22.7 (ii) each of the funding sources used to provide financial assistance; and
- 22.8 (iii) for federal funds, the amount from each specific federal program under which
- 22.9 funding is provided;
- 22.10 (6) a summary of the differences in program implementation requirements and aid
- 22.11 recipient eligibility between federal aid and state sources of funds; and
- 22.12 (7) ~~in each odd-numbered year~~, an analysis of public transit system needs and operating
- 22.13 expenditures on an annual basis, which must include a methodology for identifying monetary
- 22.14 needs, and calculations of:
- 22.15 (i) the total monetary needs for all public transit systems, for the year of the report and
- 22.16 the ensuing five years;
- 22.17 (ii) the total expenditures from local sources for each transit system classification;
- 22.18 (iii) the comprehensive transit assistance percentage for each transit system classification,
- 22.19 which equals (A) the expenditures identified under item (ii), for a transit system classification,
- 22.20 divided by (B) the amounts identified under subitem (A), plus the sum of state sources of
- 22.21 funds plus federal funds provided to all transit systems in that classification; and
- 22.22 (iv) the amount of surplus or insufficient funds available for paying capital and operating
- 22.23 costs to fully implement the greater Minnesota transit investment plan under section 174.24,
- 22.24 subdivision 1a.

22.25 Sec. 12. **REPEALER.**

22.26 (a) Minnesota Statutes 2022, sections 174.22, subdivisions 5 and 15; and 174.23,

22.27 subdivision 7, are repealed.

22.28 (b) Minnesota Rules, parts 8835.0110, subparts 1, 1a, 6, 7, 10, 11a, 12a, 12b, 13a, 14a,

22.29 15, 15a, 16, 17, 18, and 19; 8835.0210; 8835.0220; 8835.0230; 8835.0240; 8835.0250;

22.30 8835.0260; 8835.0265; 8835.0270; 8835.0275; 8835.0280; 8835.0290; 8835.0310;

23.1 8835.0320; 8835.0330, subparts 1, 3, and 4; and 8835.0350, subparts 1, 3, 4, and 5, are
23.2 repealed.

23.3 ARTICLE 3

23.4 CONFORMING CHANGES

23.5 Section 1. Minnesota Statutes 2023 Supplement, section 256B.0625, subdivision 17, is
23.6 amended to read:

23.7 Subd. 17. **Transportation costs.** (a) "Nonemergency medical transportation service"
23.8 means motor vehicle transportation provided by a public or private person that serves
23.9 Minnesota health care program beneficiaries who do not require emergency ambulance
23.10 service, as defined in section 144E.001, subdivision 3, to obtain covered medical services.

23.11 (b) For purposes of this subdivision, "rural urban commuting area" or "RUCA" means
23.12 a census-tract based classification system under which a geographical area is determined
23.13 to be urban, rural, or super rural.

23.14 (c) Medical assistance covers medical transportation costs incurred solely for obtaining
23.15 emergency medical care or transportation costs incurred by eligible persons in obtaining
23.16 emergency or nonemergency medical care when paid directly to an ambulance company,
23.17 nonemergency medical transportation company, or other recognized providers of
23.18 transportation services. Medical transportation must be provided by:

23.19 (1) nonemergency medical transportation providers who meet the requirements of this
23.20 subdivision;

23.21 (2) ambulances, as defined in section 144E.001, subdivision 2;

23.22 (3) taxicabs that meet the requirements of this subdivision;

23.23 (4) public transit, within the meaning of "public transportation" as defined in section
23.24 174.22, subdivision 7; or

23.25 (5) not-for-hire vehicles, including volunteer drivers, as defined in section 65B.472,
23.26 subdivision 1, paragraph (h).

23.27 (d) Medical assistance covers nonemergency medical transportation provided by
23.28 nonemergency medical transportation providers enrolled in the Minnesota health care
23.29 programs. All nonemergency medical transportation providers must comply with the
23.30 operating standards for special transportation service as defined in sections 174.29 to 174.30
23.31 and Minnesota Rules, chapter 8840, and all drivers must be individually enrolled with the
23.32 commissioner and reported on the claim as the individual who provided the service. All

24.1 nonemergency medical transportation providers shall bill for nonemergency medical
24.2 transportation services in accordance with Minnesota health care programs criteria. Publicly
24.3 operated transit systems, volunteers, and not-for-hire vehicles are exempt from the
24.4 requirements outlined in this paragraph.

24.5 (e) An organization may be terminated, denied, or suspended from enrollment if:

24.6 (1) the provider has not initiated background studies on the individuals specified in
24.7 section 174.30, subdivision 10, paragraph (a), clauses (1) to (3); or

24.8 (2) the provider has initiated background studies on the individuals specified in section
24.9 174.30, subdivision 10, paragraph (a), clauses (1) to (3), and:

24.10 (i) the commissioner has sent the provider a notice that the individual has been
24.11 disqualified under section 245C.14; and

24.12 (ii) the individual has not received a disqualification set-aside specific to the special
24.13 transportation services provider under sections 245C.22 and 245C.23.

24.14 (f) The administrative agency of nonemergency medical transportation must:

24.15 (1) adhere to the policies defined by the commissioner;

24.16 (2) pay nonemergency medical transportation providers for services provided to
24.17 Minnesota health care programs beneficiaries to obtain covered medical services;

24.18 (3) provide data monthly to the commissioner on appeals, complaints, no-shows, canceled
24.19 trips, and number of trips by mode; and

24.20 (4) by July 1, 2016, in accordance with subdivision 18e, utilize a web-based single
24.21 administrative structure assessment tool that meets the technical requirements established
24.22 by the commissioner, reconciles trip information with claims being submitted by providers,
24.23 and ensures prompt payment for nonemergency medical transportation services.

24.24 (g) Until the commissioner implements the single administrative structure and delivery
24.25 system under subdivision 18e, clients shall obtain their level-of-service certificate from the
24.26 commissioner or an entity approved by the commissioner that does not dispatch rides for
24.27 clients using modes of transportation under paragraph (l), clauses (4), (5), (6), and (7).

24.28 (h) The commissioner may use an order by the recipient's attending physician, advanced
24.29 practice registered nurse, physician assistant, or a medical or mental health professional to
24.30 certify that the recipient requires nonemergency medical transportation services.

24.31 Nonemergency medical transportation providers shall perform driver-assisted services for
24.32 eligible individuals, when appropriate. Driver-assisted service includes passenger pickup

25.1 at and return to the individual's residence or place of business, assistance with admittance
25.2 of the individual to the medical facility, and assistance in passenger securement or in securing
25.3 of wheelchairs, child seats, or stretchers in the vehicle.

25.4 (i) Nonemergency medical transportation providers must take clients to the health care
25.5 provider using the most direct route, and must not exceed 30 miles for a trip to a primary
25.6 care provider or 60 miles for a trip to a specialty care provider, unless the client receives
25.7 authorization from the local agency.

25.8 (j) Nonemergency medical transportation providers may not bill for separate base rates
25.9 for the continuation of a trip beyond the original destination. Nonemergency medical
25.10 transportation providers must maintain trip logs, which include pickup and drop-off times,
25.11 signed by the medical provider or client, whichever is deemed most appropriate, attesting
25.12 to mileage traveled to obtain covered medical services. Clients requesting client mileage
25.13 reimbursement must sign the trip log attesting mileage traveled to obtain covered medical
25.14 services.

25.15 (k) The administrative agency shall use the level of service process established by the
25.16 commissioner to determine the client's most appropriate mode of transportation. If public
25.17 transit or a certified transportation provider is not available to provide the appropriate service
25.18 mode for the client, the client may receive a onetime service upgrade.

25.19 (l) The covered modes of transportation are:

25.20 (1) client reimbursement, which includes client mileage reimbursement provided to
25.21 clients who have their own transportation, or to family or an acquaintance who provides
25.22 transportation to the client;

25.23 (2) volunteer transport, which includes transportation by volunteers using their own
25.24 vehicle;

25.25 (3) unassisted transport, which includes transportation provided to a client by a taxicab
25.26 or public transit. If a taxicab or public transit is not available, the client can receive
25.27 transportation from another nonemergency medical transportation provider;

25.28 (4) assisted transport, which includes transport provided to clients who require assistance
25.29 by a nonemergency medical transportation provider;

25.30 (5) lift-equipped/ramp transport, which includes transport provided to a client who is
25.31 dependent on a device and requires a nonemergency medical transportation provider with
25.32 a vehicle containing a lift or ramp;

26.1 (6) protected transport, which includes transport provided to a client who has received
26.2 a prescreening that has deemed other forms of transportation inappropriate and who requires
26.3 a provider: (i) with a protected vehicle that is not an ambulance or police car and has safety
26.4 locks, a video recorder, and a transparent thermoplastic partition between the passenger and
26.5 the vehicle driver; and (ii) who is certified as a protected transport provider; and

26.6 (7) stretcher transport, which includes transport for a client in a prone or supine position
26.7 and requires a nonemergency medical transportation provider with a vehicle that can transport
26.8 a client in a prone or supine position.

26.9 (m) The local agency shall be the single administrative agency and shall administer and
26.10 reimburse for modes defined in paragraph (l) according to paragraphs (p) and (q) when the
26.11 commissioner has developed, made available, and funded the web-based single administrative
26.12 structure, assessment tool, and level of need assessment under subdivision 18e. The local
26.13 agency's financial obligation is limited to funds provided by the state or federal government.

26.14 (n) The commissioner shall:

26.15 (1) verify that the mode and use of nonemergency medical transportation is appropriate;

26.16 (2) verify that the client is going to an approved medical appointment; and

26.17 (3) investigate all complaints and appeals.

26.18 (o) The administrative agency shall pay for the services provided in this subdivision and
26.19 seek reimbursement from the commissioner, if appropriate. As vendors of medical care,
26.20 local agencies are subject to the provisions in section 256B.041, the sanctions and monetary
26.21 recovery actions in section 256B.064, and Minnesota Rules, parts 9505.2160 to 9505.2245.

26.22 (p) Payments for nonemergency medical transportation must be paid based on the client's
26.23 assessed mode under paragraph (k), not the type of vehicle used to provide the service. The
26.24 medical assistance reimbursement rates for nonemergency medical transportation services
26.25 that are payable by or on behalf of the commissioner for nonemergency medical
26.26 transportation services are:

26.27 (1) \$0.22 per mile for client reimbursement;

26.28 (2) up to 100 percent of the Internal Revenue Service business deduction rate for volunteer
26.29 transport;

26.30 (3) equivalent to the standard fare for unassisted transport when provided by public
26.31 transit, and \$12.10 for the base rate and \$1.43 per mile when provided by a nonemergency
26.32 medical transportation provider;

27.1 (4) \$14.30 for the base rate and \$1.43 per mile for assisted transport;

27.2 (5) \$19.80 for the base rate and \$1.70 per mile for lift-equipped/ramp transport;

27.3 (6) \$75 for the base rate and \$2.40 per mile for protected transport; and

27.4 (7) \$60 for the base rate and \$2.40 per mile for stretcher transport, and \$9 per trip for
27.5 an additional attendant if deemed medically necessary.

27.6 (q) The base rate for nonemergency medical transportation services in areas defined
27.7 under RUCA to be super rural is equal to 111.3 percent of the respective base rate in
27.8 paragraph (p), clauses (1) to (7). The mileage rate for nonemergency medical transportation
27.9 services in areas defined under RUCA to be rural or super rural areas is:

27.10 (1) for a trip equal to 17 miles or less, equal to 125 percent of the respective mileage
27.11 rate in paragraph (p), clauses (1) to (7); and

27.12 (2) for a trip between 18 and 50 miles, equal to 112.5 percent of the respective mileage
27.13 rate in paragraph (p), clauses (1) to (7).

27.14 (r) For purposes of reimbursement rates for nonemergency medical transportation services
27.15 under paragraphs (p) and (q), the zip code of the recipient's place of residence shall determine
27.16 whether the urban, rural, or super rural reimbursement rate applies.

27.17 (s) The commissioner, when determining reimbursement rates for nonemergency medical
27.18 transportation under paragraphs (p) and (q), shall exempt all modes of transportation listed
27.19 under paragraph (l) from Minnesota Rules, part 9505.0445, item R, subitem (2).

27.20 (t) Effective for the first day of each calendar quarter in which the price of gasoline as
27.21 posted publicly by the United States Energy Information Administration exceeds \$3.00 per
27.22 gallon, the commissioner shall adjust the rate paid per mile in paragraph (p) by one percent
27.23 up or down for every increase or decrease of ten cents for the price of gasoline. The increase
27.24 or decrease must be calculated using a base gasoline price of \$3.00. The percentage increase
27.25 or decrease must be calculated using the average of the most recently available price of all
27.26 grades of gasoline for Minnesota as posted publicly by the United States Energy Information
27.27 Administration.

27.28 Sec. 2. Minnesota Statutes 2022, section 473.121, subdivision 19, is amended to read:

27.29 Subd. 19. **Public transit or transit.** "Public transit" or "transit" has the meaning given
27.30 to "public transportation" in section 174.22, subdivision 7.

28.1 Sec. 3. Minnesota Statutes 2023 Supplement, section 609.855, subdivision 7, is amended
28.2 to read:

28.3 Subd. 7. **Definitions.** (a) The definitions in this subdivision apply in this section.

28.4 (b) "Public transit" or "transit" has the meaning given to "public transportation" in section
28.5 174.22, subdivision 7.

28.6 (c) "Public transit vehicle" or "transit vehicle" means any vehicle used for the purpose
28.7 of providing public transit, whether or not the vehicle is owned or operated by a public
28.8 entity.

28.9 (d) "Public transit facilities" or "transit facilities" means any vehicles, equipment,
28.10 property, structures, stations, improvements, plants, parking or other facilities, or rights that
28.11 are owned, leased, held, or used for the purpose of providing public transit, whether or not
28.12 the facility is owned or operated by a public entity.

28.13 (e) "Fare medium" means a ticket, smart card, pass, coupon, token, transfer, or other
28.14 medium sold or distributed by a public transit provider, or its authorized agents, for use in
28.15 gaining entry to or use of the public transit facilities or vehicles of the provider.

28.16 (f) "Proof of fare payment" means a fare medium valid for the place or time at, or the
28.17 manner in, which it is used. If using a reduced-fare medium, proof of fare payment also
28.18 includes proper identification demonstrating a person's eligibility for the reduced fare. If
28.19 using a fare medium issued solely for the use of a particular individual, proof of fare payment
28.20 also includes an identification document bearing a photographic likeness of the individual
28.21 and demonstrating that the individual is the person to whom the fare medium is issued.

28.22 (g) "Authorized transit representative" means the person authorized by the transit provider
28.23 to operate the transit vehicle, a peace officer, a transit official under section 473.4075,
28.24 subdivision 1, or any other person designated by the transit provider as an authorized transit
28.25 representative under this section.

28.26 Sec. 4. **REVISOR INSTRUCTION.**

28.27 (a) The revisor of statutes must renumber the subdivisions in Minnesota Statutes, section
28.28 174.22, in alphabetical order and correct any cross-reference changes that result.

28.29 (b) In Minnesota Statutes, the revisor of statutes must change the term "public transit"
28.30 to "public transportation" wherever the term appears in Minnesota Statutes, sections 174.21
28.31 to 174.27.

- 29.1 (c) Except as otherwise provided in this article, in Minnesota Statutes, the revisor of
29.2 statutes must change the term "public transit" to "public transportation" wherever the term
29.3 appears in statutes in conjunction with a specific reference to Minnesota Statutes, section
29.4 174.22, subdivision 7.

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169.011 DEFINITIONS.

Subd. 70. **Safety zone.** "Safety zone" means the area or space officially set apart within a roadway for the exclusive use of pedestrians and which is protected or is so marked or indicated by adequate signs as to be plainly visible at all times set apart as a safety zone.

169.25 SAFETY ZONE.

No vehicle shall at any time be driven through a safety zone.

174.22 DEFINITIONS.

Subd. 5. **Operating deficit.** "Operating deficit" means the amount by which the total prudent operating expenses incurred in the operation of the public transit system exceeds the amount of operating revenue derived from the system.

Subd. 15. **Urbanized area service.** "Urbanized area service" means a transportation service operating in an urban area of more than 50,000 persons but does not include elderly and disabled service, as defined in subdivision 2b.

174.23 GENERAL POWERS AND DUTIES.

Subd. 7. **Rulemaking; total operating cost.** The commissioner shall by rule define "total operating cost" as the term is used in carrying out the purposes of section 174.24. "Total operating cost" may include provisions for a fee for service. The commissioner shall consult with eligible recipients to the maximum extent feasible in formulating these rules and develop necessary and reasonable changes in cost and fee allowability provisions and financial examination procedures where possible. The rules are subject to the provisions in the Administrative Procedure Act of sections 14.001 to 14.69.

8835.0110 DEFINITIONS.

Subpart 1. **Scope.** The terms used in this chapter have the meanings given them in this part.

Subp. 1a. **Applicant.** "Applicant" means an entity that is eligible under Minnesota Statutes, section 174.24, subdivision 2, for financial assistance for a new or existing public transit system.

Subp. 6. **Cost reimbursement contract.** "Cost reimbursement contract" means a contract providing for payment to the contractor of allowable costs incurred in the performance of the contract, to the extent prescribed in the contract.

Subp. 7. **Department.** "Department" means the Department of Transportation.

Subp. 10. **Financial assistance.** "Financial assistance" means state funds paid to a recipient in accordance with the public transit participation program established under Minnesota Statutes, section 174.24.

Subp. 11a. **Greater Minnesota.** "Greater Minnesota" has the meaning given in Minnesota Statutes, section 116O.02, subdivision 5.

Subp. 12a. **Local share.** "Local share" means the percentage of total operating costs paid by a recipient according to the distribution classifications in Minnesota Statutes, section 174.24, subdivision 3b, and the percentage of capital costs paid by a recipient according to part 8835.0320.

Subp. 12b. **Local source.** "Local source" has the meaning given it in Minnesota Statutes, section 174.24, subdivision 3b.

Subp. 13a. **Management plan.** "Management plan" means a description of all the elements of a proposed public transit system, as required by part 8835.0260.

Subp. 14a. **Passenger trip.** "Passenger trip" means a one-way movement of a person between two points. Each time a passenger boards a transit vehicle counts as one passenger trip.

Subp. 15. **Public transit or transit.** "Public transit" or "transit" has the meaning given it in Minnesota Statutes, section 174.22, subdivision 7.

Subp. 15a. **Public transit participation program.** "Public transit participation program" means the department's program for providing financial assistance for public transit services in greater Minnesota under Minnesota Statutes, section 174.24.

Subp. 16. **Reasonable cost.** "Reasonable cost" means a price for a commodity or service which, in its nature or amount, does not exceed that which would be incurred by an ordinarily prudent person in the conduct of competitive business.

Subp. 17. **Regional Development Commission.** "Regional Development Commission" has the meaning given it in Minnesota Statutes, section 462.384, subdivision 4.

Subp. 18. **Revenue.** "Revenue" means sources of income.

Subp. 19. **Total operating cost.** "Total operating cost" means the categories of allowable expenses provided in part 8835.0280.

8835.0210 STATUTORY AUTHORITY.

This chapter is adopted pursuant to Minnesota Statutes, section 174.23, subdivisions 2 and 7.

8835.0220 PURPOSE.

The purpose of this chapter is to establish the procedures and standards for review and approval of applications for financial assistance under the public transit participation program

in Minnesota Statutes, section 174.24, and to define "total operating cost" as the term is used in carrying out the public transit participation program.

8835.0230 SCOPE.

This chapter applies to applicants for financial assistance under the public transit participation program established by Minnesota Statutes, section 174.24.

8835.0240 ADMINISTRATION OF PUBLIC TRANSIT PARTICIPATION PROGRAM.

The Office of Transit shall administer the public transit participation program as provided by Minnesota Statutes, section 174.23, subdivision 8. The Office of Transit shall allocate:

A. operating assistance to public transit systems according to the distribution classifications in Minnesota Statutes, section 174.24, subdivision 3b; and

B. nonoperating or capital assistance to public transit systems according to the discretion provided to the commissioner by Minnesota Statutes, section 174.24, subdivision 3c, and according to part 8835.0320.

The Office of Transit shall make payments of financial assistance by a contract between the department and a recipient as required by Minnesota Statutes, section 174.24, subdivision 3.

8835.0250 APPLICATION FOR FINANCIAL ASSISTANCE.

Subpart 1. **Who may apply.** An applicant may apply for financial assistance under the public transit participation program to provide public transit in greater Minnesota.

Subp. 2. **Public transit.** Public transit includes a single service or a combination of services, such as route deviations, fixed route, flexible fixed route, demand-response/dial-a-ride, rideshare, subscription, volunteer driver services, and other services that meet the needs of individual transit systems to the extent they are consistent with Minnesota Statutes, section 174.21. A public transit system must be available and accessible to the general public.

Subp. 3. **Submission; deadline.** An applicant shall request financial assistance using an application prescribed by the department. The department shall establish a deadline for submission of applications for financial assistance and shall provide adequate notice of the deadline to applicants. A complete application contains a management plan, a resolution from the applicant's governing body, and other forms and certifications required by federal or state law or regulation.

Subp. 4. **Additional review.** In addition to submitting an application to the department, an applicant shall submit an application for review and approval as provided in Minnesota Statutes, section 174.23, subdivision 2.

Subp. 5. **Resolution.** An applicant shall submit with the application a resolution by the governing body that:

A. resolves to provide public transit;

B. indicates the person or persons authorized by title to execute a contract with the department and all amendments to the contract; and

C. authorizes funds for the local share of financial assistance, if applicable.

8835.0260 MANAGEMENT PLAN.

Subpart 1. **Submission in application.** An applicant shall submit a management plan as part of its application for financial assistance.

Subp. 2. **Contents.** The management plan must include the following information:

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- A. a service plan that describes the levels of service to be provided during the contract period, including a discussion of service area and general population, type or types of service, vehicle descriptions, days and hours of service, service schedules, contract services, and route maps;
- B. a description of unmet service needs;
- C. a financial plan, including:
 - (1) a general narrative that supports and explains the budget;
 - (2) a detailed narrative for each line item in the budget, including increases;
 - (3) actual statistics on operating expenses and operating revenues for the most recent calendar years;
 - (4) anticipated statistics on operating expenses and operating revenues for the new contract period;
 - (5) actual statistics on miles and hours of service and passenger trips for the most recent calendar year; and
 - (6) anticipated statistics on miles and hours of service and passenger trips for the new contract period;
- D. a coordination and marketing plan, including costs and benefits of major elements;
- E. a capital plan that describes the major capital assets of the transit system with an outline of how they will be maintained, improved, or replaced;
- F. a description of revenue-producing contracts relating to the transit services provided by or for the applicant;
- G. a description of expense contracts for services and goods procured by the transit system;
- H. a description of the participating public transit system's vehicle maintenance program for the period of financial assistance;
- I. a description of the organizational structure established to direct, control, review, and implement the management plan;
- J. a description of measurable goals and objectives for the transit system, illustrating the benefits expected to be realized by the investment of state financial assistance;
- K. a description of the fare structure of the public transit system;
- L. a listing of transit and paratransit systems and their union affiliations currently operating in the applicant's area, and a description of existing or potential coordination with these systems;
- M. a description of the transit system's safety and training policies, including its driver selection process;
- N. a description of the proposed insurance carrier and the limits of coverage;
- O. a description of the internal controls policy for the collection and deposit of fares;
- P. a copy of the transit system's most recent drug and alcohol policy as approved by the local recipient's governing body;
- Q. all third party contracts relating to transit operations; and
- R. a copy of the governing body's third-party contract procurement policy.

Subp. 3. **Incorporation into contract.** The department shall incorporate an approved management plan into the financial assistance contract between the department and the recipient, as provided in part 8835.0330. The department shall approve a management plan after it determines the financial assistance according to part 8835.0270.

8835.0265 THIRD-PARTY CONTRACT FOR OPERATING SERVICES.

A recipient shall include a copy of the third-party contract procurement policy of its governing body in the management plan required in part 8835.0260. A third-party contract for operating services must contain all relevant terms contained in the financial assistance contract between the recipient and the department. The recipient is responsible for third-party contractor compliance with local, state, and federal laws, rules, and regulations. A third-party contract must be available for audit according to part 8835.0350, subpart 3. Before a recipient awards a third-party contract for operating services, the department shall review the third-party contract for compliance with the terms of the financial assistance contract between the department and the recipient.

8835.0270 FINANCIAL ASSISTANCE.

Subpart 1. **Allocation priorities.** The department shall allocate financial assistance to recipients for purposes of the public transit participation program according to the following order of priority:

- A. first priority: operating costs for existing public transit systems;
- B. second priority: capital costs for existing public transit systems; and
- C. third priority: operating and capital costs for the provision of public transit services in a community or area not currently served by public transit.

Subp. 2. **Determination of financial assistance.** To determine financial assistance, the department shall review an applicant's management plan and evaluate the proposed public transit system by considering:

- A. the degree to which the proposed system meets the objectives of the public transit participation program;
- B. the accessibility of the proposed system to the general public, including persons with disabilities;
- C. the amount of local government and community support for the proposed system;
- D. the plan for continuation of the proposed system after the first year; and
- E. the plan for coordination of transit services in the geographical area.

The department shall evaluate the budget, service delivery and design, and administration of a public transit system. The department shall compare the past performance of a transit system to its current performance and to the performance of other similar transit systems. To measure the performance of a public transit system, the department shall consider cost efficiency, cost-effectiveness, service effectiveness, and quality.

Subp. 3. **Approval of management plan.** The department shall approve a management plan for incorporation into a financial assistance contract after determining the reasonable costs of the proposed public transit system.

8835.0275 DETERMINING FINANCIAL ASSISTANCE; EXPENSE CATEGORIES.

In determining the total operating costs of a public transit system, upon which financial assistance is based, part 8835.0290 and the definitions of expense categories in part 8835.0280 apply and have the meanings given them.

8835.0280 TOTAL OPERATING COST.

Subpart 1. **Definition.** "Total operating cost" means the categories of allowable expenses provided in subparts 2 to 7. The total operating cost is subject to the audit provisions of part 8835.0350, subpart 3.

Subp. 2. **Personnel services expense.** The "personnel services" expense category includes:

A. administrative, management, and supervisory services, which are the amount paid to transit system employees classified as managers, supervisors, coordinators, or administrators and for which the amounts claimed by employees must be supported by daily time distribution records or a cost allocation plan that is supported by the applicant and approved by the department as part of the management plan;

B. operators' wages, which are the total amount paid to transit system employees classified as vehicle operators and for which the amounts claimed by employees must be supported by daily time distribution records;

C. maintenance and repair wages, which are the labor charges incurred in the performance of maintenance and repair of vehicles and other property required for the operation of the transit system, including only wages of maintenance personnel employed by the transit system, and for which the amounts claimed by employees must be supported by daily time distribution records;

D. other direct wages, which are the amount paid to transit system employees not classified as operators, maintenance, or administrative personnel, such as dispatchers, bookkeepers, clerical personnel, janitors, and security personnel, and for which the amounts claimed by employees must be supported by daily time distribution records;

E. indirect labor charges, which are the amount to be allocated to the transit contract for labor that is not traceable to a specific transit activity but which benefits the transit operation and which must be based on a cost allocation plan approved by the department; and

F. fringe benefits, which are the cost of providing fringe benefits for active and retired transit system employees, including pension benefits, vacation and sick leave benefits, social security taxes, workers' compensation insurance, unemployment insurance, life insurance, and first party medical coverage, and which may be allocated indirectly based on a cost allocation plan approved by the department.

Subp. 3. **Administrative charges expense.** The "administrative charges" expense category includes:

A. management fees, which are the amount paid for professional services provided by a management service company engaged contractually to provide operating management to the transit system;

B. tariffs and traffic expenses, which are any necessary tariff filing fees and costs for the procurement of tickets, tokens, and transfers;

C. advertising, marketing, and promotional charges, including the necessary cost of advertising and promoting the transit system;

D. legal, auditing, and other professional fees rendered by individuals or firms, other than transit system employees, for the purpose of maintaining continuing operations of the transit system, including:

(1) attorney fees and expenses, court costs, witness fees, and fees for accounting and auditing services, such as accident claims, defending workers' compensation claims, or other items directly related to the management plan and approved by the department; and

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(2) fees paid for planning, engineering, or other consultant services that are directly related to the management plan approved by the department;

E. security costs, which are the costs necessary to provide armored car services, patrol services, and electronic surveillance for vehicles, stations, yards, and buildings to detect and prevent criminal activity, fires, and unsafe conditions, when the patrolling is performed by an outside security agency and not by transit system employees;

F. office supplies expense, which is the cost of office supplies and materials and printing and photocopying charges solely attributable to and necessary for the operation of the transit system;

G. lease and rental costs of administrative facilities used for performing the general administrative functions of the transit system, including leases and rentals of such items as land, buildings, office equipment, and furnishings;

H. utilities expense, which is the cost of utilities such as gas, electricity, water, telephone and other communications services, and trash collection;

I. other direct administrative charges, including administrative charges necessary for the continuing operation of the transit system, such as mileage reimbursement for transit support vehicles, approved conference fees, employee travel expenses, employee development, driver's training, approved membership fees for transit associations if the cost of membership is reasonably related to the value of the services or benefits received, and subscriptions to transit publications; and

J. indirect administrative charges, which are the amount allocated to the transit contract for administrative services not traceable to a specific transit activity but which benefit the transit operation and which must be based on a cost allocation plan approved by the department.

For purposes of item I, mileage reimbursement must be based on a rate approved by the local governing body, as long as the rate is reasonable and consistent with similar rates approved by the local governing body.

Subp. 4. **Vehicle charges expense.** The "vehicle charges" expense category applies to vehicles owned or leased by the public transit system and includes:

A. fuel and lubricants expense, including net costs of gasoline, diesel, and alternative fuels and costs of antifreeze, propane, lubricating oil, transmission fluid, and grease used by revenue and service vehicles;

B. maintenance and repair material expense, including costs of parts, materials, and supplies used in the maintenance and repair of revenue and service equipment;

C. contract service maintenance labor expense, which is the cost of labor for maintenance and repair service provided by persons other than transit system employees;

D. tire expense, which is the cost of tires and tubes used on revenue and service equipment including the cost of recapping or regrooving and the rental costs for tires and tubes; and

E. other vehicle charges, including the costs of:

(1) first aid equipment, fire extinguishers, and other emergency equipment required for vehicles; and

(2) noncapitalized vehicle improvements that do not remake a vehicle or appreciably extend its useful life and that have received approval from the department.

Subp. 5. **Operations charges expense.** The "operations charges" expense category includes:

A. purchase of service, which is the cost of having a subcontractor operate the project service, with cost established:

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(1) through competitive bidding procedures, except for those recipients covered under Minnesota Statutes, chapter 221;

(2) through a negotiated contract with the prime contractor in bid situations when only one bid is received; or

(3) through a negotiated subcontract in a nonbid situation;

B. depreciation, which is the amount of depreciation or use allowance on depreciable items such as structures, revenue equipment, service vehicles and equipment, and office furniture and equipment and is the amount allowed based on a company's existing depreciation schedule or, if a schedule does not already exist, a depreciation schedule submitted to and approved by the department, but which may not be charged for items purchased, totally or in part, with state or federal funds;

C. mileage reimbursement for passenger service, including the cost of volunteer driver reimbursement for projects incorporating this type of service, as well as mileage reimbursement for transit personnel using private vehicles for emergency replacement passenger transport in the event of mechanical breakdown of transit vehicles;

D. repair and maintenance of other property, including material costs associated with the upkeep and repair of buildings and stations, grounds, nonrevenue equipment owned or leased by the transit company, and miscellaneous expenses such as small tool replacement, and supplies used for cleaning and for general shop and garage purposes;

E. leases and rentals of facilities or equipment used in the operation of the transit system, including leases and rentals of garages, depots, passenger vehicles, service vehicles, passenger stations, communication equipment, and computers, with allowability based on the reasonableness of rates and the presence of evidence that the lease will not give rise to material equity in the property; and

F. other operations charges, including the cost of such things as the purchase or rental and cleaning of uniforms, tools and equipment, sanding and snowplow operations, passenger amenities, and station agents and which may be allocated indirectly based on a cost allocation plan approved by the department.

For purposes of item C, mileage reimbursement must be based on a rate approved by the local governing body, as long as the rate is reasonable and consistent with similar rates approved by the local governing body.

Subp. 6. **Insurance charges expense.** The "insurance charges" expense category includes:

A. public liability and property damage insurance expense on vehicles, including premiums paid to insure the transit system against loss through damage to its own property and to indemnify the transit system and all financial and operational participants against loss from liability for its acts that cause damage to the person or property of others; and

B. public liability and property damage insurance charges other than on vehicles, including excess liability insurance, baggage and express insurance, and fire and theft insurance.

Subp. 7. **Taxes and fees expense.** The "taxes and fees" expense category includes:

A. vehicle registration and permit fees on vehicles; and

B. other taxes and fees, including applicable real estate, property, and sales taxes.

8835.0290 UNALLOWABLE EXPENSES.

Subpart 1. **Scope.** In determining the total operating costs of a public transit system, upon which financial assistance is based, the definitions of unallowable expenses in subparts 2 to 8 apply and have the meanings given them.

Subp. 2. **General purpose equipment.** Expenditures for general purpose equipment are unallowable as operating costs. "General purpose equipment" means equipment that is used for other than transit contract purposes, such as communications equipment, office equipment and furnishings, air conditioning equipment, reproduction and printing equipment, and computers and related equipment.

Subp. 3. **Interest and other financial costs.** Interest on borrowing (however represented), bond discounts, cost of financing and refinancing operations, and legal and professional fees paid in connection with these costs are unallowable.

Subp. 4. **Fines and penalties.** Costs resulting from violations of, or failure to comply with federal, state, or local laws and regulations are unallowable.

Subp. 5. **Contingencies.** Contributions to a contingency reserve or any similar provision for unseen events are unallowable.

Subp. 6. **Bad debts.** Any losses arising from uncollectible accounts, other claims, and related costs are unallowable.

Subp. 7. **Donations and entertainment expense.** Contributions and donations are unallowable as are any entertainment expenses.

Subp. 8. **Unrelated costs.** Costs that are not directly related to the provision of public transit are unallowable.

8835.0310 REVENUE CATEGORIES.

Subpart 1. **Operating revenue categories; local sources.** In determining the local sources of funds that may comprise the fixed percentage of total operating costs to be paid by a recipient in accordance with the distribution classifications in Minnesota Statutes, sections 174.24, subdivision 3b, the definitions of revenue categories in subparts 2 to 7 apply and have the meanings given them.

Subp. 2. **Passenger fare.** "Passenger fare" means revenue earned from transporting passengers on the public transit system, including a cash fare, a donation received instead of a set fare, and an advance fare received from the sale of a coupon, token, or pass.

Subp. 3. **Contract revenue.** "Contract revenue" means revenue received from a contract with a beneficiary of a specific transit service. Contract revenue includes:

A. an amount paid by an organization for a special route guarantee; and

B. revenue earned for a ride given in regular transit service but paid for by an organization, including a state or local social service agency or a private social service organization, for the benefit of the rider.

Subp. 4. **School revenue.** "School revenue" means revenue earned from service provided under a contract with a school district, including an amount paid for transporting school children on regularly scheduled service, and an amount paid by a college or university for operating a transit vehicle on or between campuses.

Subp. 5. **Charter revenue.** "Charter revenue" includes reimbursement for charter service received in association with publicly funded transit service, providing that charter service rates are developed so that cost recovery equals or exceeds the full cost of providing the charter service.

Subp. 6. **Auxiliary revenue.** "Auxiliary revenue" means revenue earned from an activity closely associated with the transit operation, including revenue received from an advertising service, delivery, a lease, and station and vehicle concessions.

Subp. 7. **Other financial assistance.** "Other financial assistance" includes revenue earned from an activity not associated with the provision of the recipient's transit service but which is applied to help cover the system's costs, including tax levies, a federal cash grant, senior citizen fare assistance, investment income, and any general donation.

8835.0320 CAPITAL ASSISTANCE.

Subpart 1. **Budget.** An applicant seeking financial assistance for capital costs shall include in its budget a description of the vehicle, facility, or equipment desired, its cost and the reason for the request.

Subp. 2. **Criteria.** The department shall use the following criteria to evaluate requests for capital assistance:

- A. the extent to which the request maintains public transit services, promotes safety, and promotes efficient operations;
- B. the extent to which accessibility is enhanced; and
- C. the availability of local share money.

Subp. 3. **Allocation formula.** The department shall determine the amount of capital assistance for the public transit participation program according to the discretion provided to the commissioner in Minnesota Statutes, section 174.24, subdivision 3c. Except as provided in subparts 4 and 5, the department shall fund 80 percent of the capital costs approved by the department under the public transit participation program. The recipient shall provide the remaining 20 percent of the approved capital costs from local sources.

Subp. 4. **Program deviation from allocation formula.** Under the discretion provided to the commissioner in Minnesota Statutes, section 174.24, subdivision 3c, the department may establish a capital assistance allocation formula that deviates from the formula established in subpart 3. In setting this formula, the department must consider all relevant conditions relating to funding the public transit participation program.

Subp. 5. **Individual exception to allocation formula.** The department may deviate from the capital assistance allocation formula for an exceptional circumstance. A recipient that seeks capital assistance from the public transit participation program in an amount greater than the allocation formula, established under subpart 3 or 4, must make a written request to the department that includes:

- A. a detailed description of the exceptional circumstance that is the basis of the written request; and
- B. a resolution from the governing body that the request is due to an exceptional circumstance.

The department shall consider a request for an individual exception to the allocation formula after assessing the nature of the exceptional circumstance, balancing the request against other requests from recipients for capital assistance, and considering the assurance provided by the governing body that the circumstance that gave rise to the request is exceptional.

Subp. 6. **Vehicle replacement or disposition.** The department shall determine financial assistance to a public transit system to replace, refurbish, or dispose of a vehicle based on the condition of the vehicle and the availability of funds.

Subp. 7. **Contract.** The financial assistance contract between the department and the recipient must specify the maximum amount of capital assistance to be allocated to the recipient and the terms and conditions of assistance. The department shall determine the actual amount of capital assistance based on the availability of funds.

8835.0330 CONTRACT FOR FINANCIAL ASSISTANCE.

Subpart 1. **Content.** The financial assistance contract is a cost reimbursement contract that is based on the total operating cost in part 8835.0280. The contract must specify the maximum amount of financial assistance to be awarded to the recipient by the department and state the terms and conditions of assistance. The management plan must be incorporated

into the contract as a legal part of the contract document. A resolution by the governing body, as provided in part 8835.0250, subpart 5, must be included with the contract.

Subp. 3. **Penalties.** If a recipient fails to comply with the terms and conditions of the contract, the department may withhold payment at any time or may terminate the financial assistance contract upon 30 days' written notice.

Subp. 4. **Amendments.** A recipient or the department may initiate an amendment to the contract. Before implementation, an amendment must be fully executed by the parties to the original contract, or their successors.

8835.0350 FINANCIAL RECORDS.

Subpart 1. **Records.** A recipient and any third party contractor shall maintain their financial records in accordance with generally accepted accounting principles. The records must permit audit verification of transit cost allocations claimed during the contract period. The recipient and any third party contractor also shall keep records on miles and hours of service and passenger trips. Records must be kept available for a period of six years from the date of final payment or the expiration date of the contract, whichever occurs first.

Subp. 3. **Audits.** The financial records of the recipient must be audited. They may be audited by the department or the department may accept all or part of the audit of an independent auditor instead of a departmental audit if the audit meets department standards. In addition to chapter 8835, department audits must be based on the contract cost principles and procedures in Code of Federal Regulations, title 48, chapter 1, part 31, and Office of Management and Budget Circular, Number A-87 and Number A-122, as amended. The financial records of a subcontractor may be audited at the department's discretion. The department shall submit year-end financial statements to the department auditor by April 15 of the year following the period covered by the financial assistance contract. Audits at the end of a contract period must establish approved total operating costs. New recipients are subject to a preaward audit before contract execution and fund encumbrance. As provided by Minnesota Statutes, section 16C.05, subdivision 5, the records, books, documents, and accounting practices of the recipient and of any third party contractor relating to the contract are subject to audit and examination by the department and the legislative auditor during working hours. If the department determines it has overpaid a recipient on a previous contract, the department may reduce payments under the current contract by the amount of overpayment.

Subp. 4. **Project monitoring.** The department shall use the management plan required under part 8835.0260 as a basis for monitoring and evaluating the performance of the public transit system during the contract period. Public transit policy decisions made by the recipient and actions taken during the contract period must conform with the management plan. A proposed deviation from the management plan must be reported to the department and approval secured in writing before implementation. Approval will be granted if it is clearly documented that the proposed deviation will not increase overall project costs. Failure to secure approval jeopardizes continued financial assistance.

Subp. 5. **Reserve account.** If a public transit system generates operating revenue in excess of the recipient's local share amount, the recipient shall deposit the excess into a reserve account to be used for approved operating expenses that are not covered by the contract or for part of the local share of capital expenses of the transit system. The recipient shall report this revenue and expenses charged against it to the department on reporting forms provided by the department.