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State of Minnesota

HOUSE OF REPRESENTATIVES

NINETY-SECOND SESSION

H. F. No. 2482

04/09/2021

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The bill was read for the first time and referred to the Committee on Transportation Finance and Policy

1.1 A bill for an act

1.2 relating to transit; requiring the Department of Transportation to administer the

1.3 replacement service provider program; amending the allocation of motor vehicle

1.4 sales tax revenue; amending Minnesota Statutes 2020, sections 16A.88, subdivisions

1.5 1a, 2; 297B.09, subdivision 1; proposing coding for new law in Minnesota Statutes,

1.6 chapter 174; repealing Minnesota Statutes 2020, section 473.388, subdivisions 1,

1.7 2, 3, 4, 4a, 5, 7.

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

1.9 Section 1. Minnesota Statutes 2020, section 16A.88, subdivision 1a, is amended to read:

1.10 Subd. 1a. **Greater Minnesota transit account.** The greater Minnesota transit account

1.11 is established within the transit assistance fund in the state treasury. Money in the account

1.12 is annually appropriated to the commissioner of transportation for assistance to transit

1.13 systems outside the metropolitan area under section 174.24 and to transit systems within

1.14 the metropolitan area under section 174.46. The commissioner may use up to \$408,000 in

1.15 fiscal year 2008 and \$416,000 in fiscal year 2009 and thereafter for administration of the

1.16 transit program. The commissioner shall use the account for transit operations as provided

1.17 in ~~section~~ sections 174.24 and 174.46 and related program administration.

1.18 Sec. 2. Minnesota Statutes 2020, section 16A.88, subdivision 2, is amended to read:

1.19 Subd. 2. **Metropolitan area transit account.** The metropolitan area transit account is

1.20 established within the transit assistance fund in the state treasury. All money in the account

1.21 is annually appropriated to the Metropolitan Council for the funding of transit systems

1.22 within the metropolitan area under sections 473.384, 473.386, 473.387, ~~473.388~~, and 473.405

1.23 to 473.449.

2.1 Sec. 3. **[174.46] REPLACEMENT SERVICE PROGRAM.**

2.2 **Subdivision 1. Program established.** A replacement service program is established to  
2.3 continue the metropolitan transit service demonstration program established in Minnesota  
2.4 Statutes 1982, section 174.265, and Minnesota Statutes 2020, section 473.388, as provided  
2.5 in this section.

2.6 **Subd. 2. Replacement service; eligibility.** (a) The commissioner may provide assistance  
2.7 under the program to a statutory or home rule charter city or town or combination thereof,  
2.8 that:

2.9 (1) is located in the metropolitan transit taxing district;

2.10 (2) is not served by the Metropolitan Council bus service or is served only with  
2.11 Metropolitan Council bus routes which begin or end within the applying city or town or  
2.12 combination thereof; and

2.13 (3) has fewer than four scheduled runs of the Metropolitan Council's bus service during  
2.14 off-peak hours as defined by the Metropolitan Council.

2.15 (b) Eligible cities or towns or combinations thereof may apply on behalf of a transit  
2.16 operator with whom they propose to contract for service.

2.17 (c) The commissioner may not provide assistance under this section to a statutory or  
2.18 home rule charter city or town unless the city or town:

2.19 (i) was receiving assistance under Minnesota Statutes 1982, section 174.265, by July 1,  
2.20 1984,

2.21 (ii) had submitted an application for assistance under that section by July 1, 1984, or

2.22 (iii) had submitted a letter of intent to apply for assistance under that section by July 1,  
2.23 1984, and submits an application for assistance under this section by July 1, 1988. A statutory  
2.24 or home rule charter city or town has an additional 12-month extension if it notified the  
2.25 former regional transit board before July 1, 1988, that the city or town is in the process of  
2.26 completing a transportation evaluation study that includes an assessment of the local transit  
2.27 needs of the city or town.

2.28 **Subd. 3. Application for assistance.** An application for assistance under this section  
2.29 must:

2.30 (1) describe the existing service provided to the applicant by the Metropolitan Council,  
2.31 including the estimated number of passengers carried and the routes, schedules, and fares;

3.1 (2) describe the transit service proposed for funding under the demonstration program,  
 3.2 including the anticipated number of passengers and the routes, schedules, and fares; and

3.3 (3) indicate the total amount of available local transit funds, the portion of the available  
 3.4 local transit funds proposed to be used to subsidize replacement services, and the amount  
 3.5 of assistance requested for the replacement services.

3.6 Subd. 4. **Financial assistance; base allocation.** (a) The commissioner must grant  
 3.7 financial assistance if (1) the service of the statutory or home rule charter city, town, or  
 3.8 combination, replaces the Metropolitan Council's service to the statutory or home rule charter  
 3.9 city, town, or combination, and (2) the service meets the needs of the recipient at least as  
 3.10 efficiently and effectively as the Metropolitan Council's service.

3.11 (b) The amount of assistance which the commissioner must provide to a system under  
 3.12 this section must not be less than the sum of (1) the amounts calculated under paragraph  
 3.13 (c), and (2) the amount calculated under subdivision 5.

3.14 (c) The financial assistance base allocation for each replacement service municipality  
 3.15 is calculated as:

3.16 (1) an amount equal to 4.3 percent of the total state revenues generated from the taxes  
 3.17 imposed under chapter 297B for the current fiscal year; times

3.18 (2) the ratio of:

3.19 (i) the transit operating assistance grants received under this subdivision by the  
 3.20 municipality in calendar year 2001 or the tax revenues for transit services levied by the  
 3.21 municipality for taxes payable in 2001, including that portion of the levy derived from the  
 3.22 areawide pool under section 473F.08, subdivision 3, clause (a), plus the portion of the  
 3.23 municipality's aid under Minnesota Statutes 2002, section 273.1398, subdivision 2,  
 3.24 attributable to the transit levy; to

3.25 (ii) the total transit operating assistance grants received under this subdivision in calendar  
 3.26 year 2001 or the tax revenues for transit services levied by all replacement service  
 3.27 municipalities under this section for taxes payable in 2001, including that portion of the  
 3.28 levy derived from the areawide pool under section 473F.08, subdivision 3, clause (a), plus  
 3.29 the portion of homestead and agricultural credit aid under Minnesota Statutes 2002, section  
 3.30 273.1398, subdivision 2, attributable to nondebt transit levies; times

3.31 (3) the ratio of:

3.32 (i) the municipality's total taxable market value for taxes payable in 2006 divided by the  
 3.33 municipality's total taxable market value for taxes payable in 2001; to

4.1 (ii) the total taxable market value of all property located in replacement service  
4.2 municipalities for taxes payable in 2006 divided by the total taxable market value of all  
4.3 property located in replacement service municipalities for taxes payable in 2001.

4.4 (d) The commissioner must pay the amount to be provided to the recipient under this  
4.5 subdivision from the funds the council receives in the metropolitan area transit account  
4.6 under section 16A.88.

4.7 Subd. 5. **Financial assistance; regional allocation.** (a) In addition to the assistance  
4.8 under subdivision 4, paragraph (c), the commissioner must annually provide financial  
4.9 assistance through regional allocation to replacement service municipalities. The amount  
4.10 of financial assistance under this paragraph must equal at least 0.35 percent of the total state  
4.11 revenues generated from the taxes imposed under chapter 297B for the current fiscal year.

4.12 (b) The commissioner must establish a process to regionally allocate financial assistance  
4.13 under this subdivision. At a minimum, the commissioner must:

4.14 (1) adopt and implement a regional allocation policy that specifies funding priorities,  
4.15 identifies decision-making procedures, and establishes criteria to determine the amount  
4.16 allocated to a replacement service municipality; and

4.17 (2) ensure transparency and stakeholder input, which must include publishing on the  
4.18 department's website the policy adopted under clause (1), a summary of the regional  
4.19 allocation process, and financial information on the allocations.

4.20 (c) The regional allocation policy may specify eligibility requirements based on a  
4.21 replacement service municipality's transit service operating reserves.

4.22 (d) The commissioner must provide financial assistance under this subdivision using  
4.23 funds appropriated to the commissioner from the metropolitan area transit account in the  
4.24 transit assistance fund.

4.25 Subd. 6. **Other assistance.** A city or town receiving assistance or levying a transit tax  
4.26 under this section may also receive assistance from the Metropolitan Council under section  
4.27 473.384. In applying for assistance under that section an applicant must describe the portion  
4.28 of its available local transit funds or local transit taxes which are not obligated to subsidize  
4.29 its replacement transit service and which the applicant proposes to use to subsidize additional  
4.30 service. An applicant which has exhausted its available local transit funds or local transit  
4.31 taxes may use any other local subsidy funds to complete the required local share.

4.32 Subd. 7. **Local levy option.** (a) A statutory or home rule charter city or town that is  
4.33 eligible for assistance under this section may levy a tax for payment of obligations issued

5.1 by the municipality for capital expenditures for transit and other related activities, provided  
5.2 that property taxes were pledged to satisfy the obligations, and provided that legislative  
5.3 appropriations are insufficient to satisfy the obligations.

5.4 (b) This subdivision is consistent with the transit redesign plan. Eligible municipalities  
5.5 opting to operate under this subdivision shall continue to meet the regional performance  
5.6 standards established by the commissioner.

5.7 (c) Within the designated Americans with Disabilities Act area, Metro Mobility remains  
5.8 the obligation of the state.

5.9 Sec. 4. Minnesota Statutes 2020, section 297B.09, subdivision 1, is amended to read:

5.10 Subdivision 1. **Deposit of revenues.** (a) Money collected and received under this chapter  
5.11 must be deposited as provided in this subdivision.

5.12 (b) 60 percent of the money collected and received must be deposited in the highway  
5.13 user tax distribution fund, ~~36~~ 31.7 percent must be deposited in the metropolitan area transit  
5.14 account under section 16A.88, and ~~four~~ 8.3 percent must be deposited in the greater  
5.15 Minnesota transit account under section 16A.88.

5.16 (c) It is the intent of the legislature that the allocations under paragraph (b) remain  
5.17 unchanged for fiscal year 2012 and all subsequent fiscal years.

5.18 Sec. 5. **REPEALER.**

5.19 Minnesota Statutes 2020, section 473.388, subdivisions 1, 2, 3, 4, 4a, 5, and 7, are  
5.20 repealed.

5.21 Sec. 6. **EFFECTIVE DATE.**

5.22 This act is effective July 1, 2021.

**473.388 REPLACEMENT SERVICE PROGRAM.**

Subdivision 1. **Program established.** A replacement service program is established to continue the metropolitan transit service demonstration program established in Minnesota Statutes 1982, section 174.265, as provided in this section.

Subd. 2. **Replacement service; eligibility.** The council may provide assistance under the program to a statutory or home rule charter city or town or combination thereof, that:

- (a) is located in the metropolitan transit taxing district;
- (b) is not served by the council bus service or is served only with council bus routes which begin or end within the applying city or town or combination thereof; and
- (c) has fewer than four scheduled runs of council bus service during off-peak hours as defined by the Metropolitan Council.

Eligible cities or towns or combinations thereof may apply on behalf of a transit operator with whom they propose to contract for service.

The council may not provide assistance under this section to a statutory or home rule charter city or town unless the city or town,

- (i) was receiving assistance under Minnesota Statutes 1982, section 174.265, by July 1, 1984,
- (ii) had submitted an application for assistance under that section by July 1, 1984, or
- (iii) had submitted a letter of intent to apply for assistance under that section by July 1, 1984, and submits an application for assistance under this section by July 1, 1988. A statutory or home rule charter city or town has an additional 12-month extension if it notified the former regional transit board before July 1, 1988, that the city or town is in the process of completing a transportation evaluation study that includes an assessment of the local transit needs of the city or town.

Subd. 3. **Application for assistance.** An application for assistance under this section must:

- (a) describe the existing service provided to the applicant by the council, including the estimated number of passengers carried and the routes, schedules, and fares;
- (b) describe the transit service proposed for funding under the demonstration program, including the anticipated number of passengers and the routes, schedules, and fares; and
- (c) indicate the total amount of available local transit funds, the portion of the available local transit funds proposed to be used to subsidize replacement services, and the amount of assistance requested for the replacement services.

Subd. 4. **Financial assistance; base allocation.** (a) The council must grant financial assistance if (1) the service of the statutory or home rule charter city, town, or combination, replaces the council's service to the statutory or home rule charter city, town, or combination, and (2) the service meets the needs of the recipient at least as efficiently and effectively as the council's service.

(b) The amount of assistance which the council must provide to a system under this section must not be less than the sum of (1) the amounts calculated under paragraph (c), and (2) the amount calculated under subdivision 4a.

(c) The financial assistance base allocation for each replacement service municipality is calculated as:

(1) an amount equal to 3.74 percent of the total state revenues generated from the taxes imposed under chapter 297B for the current fiscal year; times

(2) the ratio of:

(i) the transit operating assistance grants received under this subdivision by the municipality in calendar year 2001 or the tax revenues for transit services levied by the municipality for taxes payable in 2001, including that portion of the levy derived from the areawide pool under section 473F.08, subdivision 3, clause (a), plus the portion of the municipality's aid under Minnesota Statutes 2002, section 273.1398, subdivision 2, attributable to the transit levy; to

(ii) the total transit operating assistance grants received under this subdivision in calendar year 2001 or the tax revenues for transit services levied by all replacement service municipalities under this section for taxes payable in 2001, including that portion of the levy derived from the areawide pool under section 473F.08, subdivision 3, clause (a), plus the portion of homestead and agricultural

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credit aid under Minnesota Statutes 2002, section 273.1398, subdivision 2, attributable to nondebt transit levies; times

(3) the ratio of:

(i) the municipality's total taxable market value for taxes payable in 2006 divided by the municipality's total taxable market value for taxes payable in 2001; to

(ii) the total taxable market value of all property located in replacement service municipalities for taxes payable in 2006 divided by the total taxable market value of all property located in replacement service municipalities for taxes payable in 2001.

(d) The council must pay the amount to be provided to the recipient under this subdivision from the funds the council receives in the metropolitan area transit account under section 16A.88.

**Subd. 4a. Financial assistance; regional allocation.** (a) In addition to the assistance under subdivision 4, paragraph (c), for fiscal years 2019, 2020, and 2021, the council must annually provide financial assistance through regional allocation to replacement service municipalities. The amount of financial assistance under this paragraph must equal at least 0.35 percent of the total state revenues generated from the taxes imposed under chapter 297B for the current fiscal year.

(b) The council must establish a process to regionally allocate financial assistance under this subdivision. At a minimum, the council must:

(1) adopt and implement a regional allocation policy that specifies funding priorities, identifies decision-making procedures, and establishes criteria to determine the amount allocated to a replacement service municipality; and

(2) ensure transparency and stakeholder input, which must include publishing on the council's website the policy adopted under clause (1), a summary of the regional allocation process, and financial information on the allocations.

(c) The regional allocation policy may specify eligibility requirements based on a replacement service municipality's transit service operating reserves.

(d) The council must provide financial assistance under this subdivision using funds appropriated to the council from the metropolitan area transit account in the transit assistance fund.

**Subd. 5. Other assistance.** A city or town receiving assistance or levying a transit tax under this section may also receive assistance from the council under section 473.384. In applying for assistance under that section an applicant must describe the portion of its available local transit funds or local transit taxes which are not obligated to subsidize its replacement transit service and which the applicant proposes to use to subsidize additional service. An applicant which has exhausted its available local transit funds or local transit taxes may use any other local subsidy funds to complete the required local share.

**Subd. 7. Local levy option.** (a) A statutory or home rule charter city or town that is eligible for assistance under this section may levy a tax for payment of obligations issued by the municipality for capital expenditures for transit and other related activities, provided that property taxes were pledged to satisfy the obligations, and provided that legislative appropriations are insufficient to satisfy the obligations.

(b) This subdivision is consistent with the transit redesign plan. Eligible municipalities opting to operate under this subdivision shall continue to meet the regional performance standards established by the council.

(c) Within the designated Americans with Disabilities Act area, Metro Mobility remains the obligation of the state.