

**SENATE
STATE OF MINNESOTA
NINETIETH SESSION**

S.F. No. 2

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DATE	D-PG	OFFICIAL STATUS
01/05/2017	37	Introduction and first reading Referred to Transportation Finance and Policy

1.1 A bill for an act

1.2 relating to transportation; amending provisions governing transportation finance

1.3 and taxation; authorizing sale and issuance of trunk highway bonds; appropriating

1.4 money; amending Minnesota Statutes 2016, sections 84.794, subdivision 1; 84.803,

1.5 subdivision 1; 84.83, subdivision 2; 84.927, subdivision 1; 86B.706, subdivision

1.6 2; 89.70; 161.081, subdivision 1; 297A.815, subdivision 3; 297A.94; repealing

1.7 Minnesota Statutes 2016, section 296A.18, subdivisions 2, 3, 4, 5, 6, 6a, 7.

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

1.9 **ARTICLE 1**

1.10 **TRANSPORTATION FINANCE**

1.11 Section 1. Minnesota Statutes 2016, section 84.794, subdivision 1, is amended to read:

1.12 Subdivision 1. **Registration revenue.** Fees from the registration of off-highway

1.13 motorcycles ~~and the unrefunded gasoline tax attributable to off-highway motorcycle use~~

1.14 ~~under section 296A.18~~ must be deposited in the state treasury and credited to the off-highway

1.15 motorcycle account in the natural resources fund.

1.16 Sec. 2. Minnesota Statutes 2016, section 84.803, subdivision 1, is amended to read:

1.17 Subdivision 1. **Registration revenue.** Fees from the registration of off-road vehicles

1.18 ~~and unrefunded gasoline tax attributable to off-road vehicle use under section 296A.18~~ must

1.19 be deposited in the state treasury and credited to the off-road vehicle account in the natural

1.20 resources fund.

2.1 Sec. 3. Minnesota Statutes 2016, section 84.83, subdivision 2, is amended to read:

2.2 Subd. 2. **Money deposited in the account.** Fees from the registration of snowmobiles
 2.3 ~~and from the issuance of snowmobile state trail stickers and the unrefunded gasoline tax~~
 2.4 ~~attributable to snowmobile use pursuant to section 296A.18~~ shall be deposited in the state
 2.5 treasury and credited to the snowmobile trails and enforcement account.

2.6 Sec. 4. Minnesota Statutes 2016, section 84.927, subdivision 1, is amended to read:

2.7 Subdivision 1. **Registration revenue.** Fees from the registration of all-terrain vehicles
 2.8 ~~and the unrefunded gasoline tax attributable to all-terrain vehicle use under section 296A.18,~~
 2.9 ~~as well as~~ the net proceeds from the sale of all-terrain vehicles forfeited pursuant to section
 2.10 169A.63, shall be deposited in the state treasury and credited to the all-terrain vehicle account
 2.11 in the natural resources fund.

2.12 Sec. 5. Minnesota Statutes 2016, section 86B.706, subdivision 2, is amended to read:

2.13 Subd. 2. **Money deposited in account.** The following shall be deposited in the state
 2.14 treasury and credited to the water recreation account:

2.15 (1) fees from titling and licensing of watercraft under this chapter;

2.16 (2) fines, installment payments, and forfeited bail according to section 86B.705,
 2.17 subdivision 2;

2.18 (3) mooring fees and receipts from the sale of marine gas at state-operated or state-assisted
 2.19 small craft harbors and mooring facilities according to section 86A.21; and

2.20 (4) ~~the unrefunded gasoline tax attributable to watercraft use under section 296A.18;~~
 2.21 ~~and~~

2.22 (5) fees for permits issued to control or harvest aquatic plants other than wild rice under
 2.23 section 103G.615, subdivision 2.

2.24 Sec. 6. Minnesota Statutes 2016, section 89.70, is amended to read:

2.25 **89.70 STATE FOREST ROAD ACCOUNT.**

2.26 There is created in the state treasury a state forest road account in the special revenue
 2.27 fund, ~~consisting of money credited under section 296A.18, subdivision 7.~~ Money in the
 2.28 state forest road account is appropriated to the commissioner and remains available until
 2.29 expended for:

3.1 (1) acquisition, development, maintenance, and administration of state forest roads under
3.2 the jurisdiction of the commissioner of natural resources; and

3.3 (2) the commissioner's share of the cost of cooperative maintenance agreements made
3.4 with other providers of forest roads.

3.5 Sec. 7. Minnesota Statutes 2016, section 161.081, subdivision 1, is amended to read:

3.6 Subdivision 1. **Distribution of five percent.** ~~(a)~~ Pursuant to article 14, section 5, of the
3.7 Constitution, five percent of the net highway user tax distribution fund is set aside, and
3.8 apportioned to the county state-aid highway fund.

3.9 ~~(b)~~ That apportionment is further distributed as follows:

3.10 (1) ~~30.5 percent to the town road account created in section 162.081;~~

3.11 ~~(2) 16 percent to the town bridge account, which is created in the state treasury~~ 46.5
3.12 percent to the county state-aid highway fund, consisting of: (i) 30.5 percent to the town road
3.13 account created in section 162.081; and (ii) 16 percent to the town bridge account created
3.14 in the state treasury; and

3.15 ~~(3) 53.5 percent to the flexible highway account created in subdivision 3~~ (2) 53.5 percent
3.16 to the trunk highway fund.

3.17 **EFFECTIVE DATE.** This section is effective July 1, 2017.

3.18 Sec. 8. Minnesota Statutes 2016, section 297A.815, subdivision 3, is amended to read:

3.19 Subd. 3. **Motor vehicle lease sales tax revenue.** ~~(a) For purposes of this subdivision,~~
3.20 ~~"net revenue" means an amount equal to the revenues, including interest and penalties,~~
3.21 ~~collected under this section, during the fiscal year, less \$32,000,000 in each fiscal year.~~

3.22 ~~(b)~~ On or before June 30 of each fiscal year, the commissioner of revenue shall estimate
3.23 the amount of the ~~net revenue~~ revenues for the current fiscal year, including interest and
3.24 penalties collected during the fiscal year under this section.

3.25 ~~(c)~~ (b) On or after July 1 of the subsequent fiscal year, the commissioner of management
3.26 and budget shall transfer the ~~net revenue~~ revenues as estimated in paragraph ~~(b)~~ (a) from
3.27 the general fund, as follows:

3.28 (1) ~~\$9,000,000 annually until January 1, 2015, and \$32,000,000 to the highway user tax~~
3.29 distribution fund;

4.1 ~~(2)~~ 50 percent ~~annually thereafter~~ of the remainder to the county state-aid highway fund.
 4.2 Notwithstanding any other law to the contrary, the commissioner of transportation shall
 4.3 allocate the funds transferred under this clause to the counties in the metropolitan area, as
 4.4 defined in section 473.121, subdivision 4, excluding the counties of Hennepin and Ramsey,
 4.5 so that each county shall receive of such amount the percentage that its population, as defined
 4.6 in section 477A.011, subdivision 3, estimated or established by July 15 of the year prior to
 4.7 the current calendar year, bears to the total population of the counties receiving funds under
 4.8 this clause; and

4.9 ~~(2)~~ (3) the remainder to the greater Minnesota transit account.

4.10 **EFFECTIVE DATE.** This section is effective January 1, 2018.

4.11 Sec. 9. Minnesota Statutes 2016, section 297A.94, is amended to read:

4.12 **297A.94 DEPOSIT OF REVENUES.**

4.13 (a) Except as provided in this section, the commissioner shall deposit the revenues,
 4.14 including interest and penalties, derived from the taxes imposed by this chapter in the state
 4.15 treasury and credit them to the general fund.

4.16 (b) The commissioner shall deposit taxes in the Minnesota agricultural and economic
 4.17 account in the special revenue fund if:

4.18 (1) the taxes are derived from sales and use of property and services purchased for the
 4.19 construction and operation of an agricultural resource project; and

4.20 (2) the purchase was made on or after the date on which a conditional commitment was
 4.21 made for a loan guaranty for the project under section 41A.04, subdivision 3.

4.22 The commissioner of management and budget shall certify to the commissioner the date on
 4.23 which the project received the conditional commitment. The amount deposited in the loan
 4.24 guaranty account must be reduced by any refunds and by the costs incurred by the Department
 4.25 of Revenue to administer and enforce the assessment and collection of the taxes.

4.26 (c) The commissioner shall deposit the revenues, including interest and penalties, derived
 4.27 from the taxes imposed on sales and purchases included in section 297A.61, subdivision 3,
 4.28 paragraph (g), clauses (1) and (4), in the state treasury, and credit them as follows:

4.29 (1) first to the general obligation special tax bond debt service account in each fiscal
 4.30 year the amount required by section 16A.661, subdivision 3, paragraph (b); and

4.31 (2) after the requirements of clause (1) have been met, the balance to the general fund.

5.1 (d) Beginning with sales taxes remitted after July 1, 2017, the commissioner shall deposit
5.2 in the state treasury the revenues collected under section 297A.64, subdivision 1, and credit
5.3 them to the small cities assistance account in the special revenue fund under section 162.145.

5.4 (e) The commissioner shall deposit the revenues, including interest and penalties,
5.5 collected under section 297A.64, subdivision 5, in the state treasury and credit them to the
5.6 general fund. By July 15 of each year the commissioner shall transfer to the highway user
5.7 tax distribution fund an amount equal to the excess fees collected under section 297A.64,
5.8 subdivision 5, for the previous calendar year.

5.9 (e) (f) Beginning with sales taxes remitted after July 1, 2017, in conjunction with the
5.10 deposit of revenues under paragraph (d), the commissioner shall deposit into the state
5.11 treasury and credit to the highway user tax distribution fund an amount equal to the estimated
5.12 revenues derived from the tax rate imposed under section 297A.62, subdivision 1, on the
5.13 lease or rental for not more than 28 days of rental motor vehicles subject to section 297A.64.
5.14 The commissioner shall estimate the amount of sales tax revenue deposited under this
5.15 paragraph based on the amount of revenue deposited under paragraph (d).

5.16 (g) Starting after July 1, 2017, the commissioner shall deposit an amount of the
5.17 remittances monthly into the state treasury and credit them to the highway user tax
5.18 distribution fund as a portion of the estimated amount of taxes collected from the sale and
5.19 purchase of motor vehicle repair parts in that month. For the remittances between July 1,
5.20 2017, and June 30, 2018, the monthly deposit amount is \$..... For remittances in each
5.21 subsequent fiscal year, the monthly deposit amount is 1/12 of the product of (1) the estimated
5.22 percentage of sales tax attributable to the sale and purchase of motor vehicle parts calculated
5.23 under this paragraph, and (2) the total sales tax revenue for the calendar year ending before
5.24 the start of that fiscal year. By July 1, 2018, and June 30 of every second year thereafter,
5.25 the commissioner shall estimate the percent of total sales tax revenue collected in the previous
5.26 calendar year that is attributable to the sale and purchase of motor vehicle parts based on
5.27 federal data and department consumption models. For purposes of this paragraph, "motor
5.28 vehicle" has the meaning given in section 297B.01, subdivision 11, and "motor vehicle
5.29 repair and replacement parts" includes (i) all parts, tires, accessories, and equipment
5.30 incorporated into or affixed to the motor vehicle as part of the motor vehicle maintenance
5.31 and repair, and (ii) paint, oil, and other fluids that remain on or in the motor vehicle as part
5.32 of the motor vehicle maintenance or repair.

5.33 (h) 72.43 percent of the revenues, including interest and penalties, transmitted to the
5.34 commissioner under section 297A.65, must be deposited by the commissioner in the state
5.35 treasury as follows:

6.1 (1) 50 percent of the receipts must be deposited in the heritage enhancement account in
6.2 the game and fish fund, and may be spent only on activities that improve, enhance, or protect
6.3 fish and wildlife resources, including conservation, restoration, and enhancement of land,
6.4 water, and other natural resources of the state;

6.5 (2) 22.5 percent of the receipts must be deposited in the natural resources fund, and may
6.6 be spent only for state parks and trails;

6.7 (3) 22.5 percent of the receipts must be deposited in the natural resources fund, and may
6.8 be spent only on metropolitan park and trail grants;

6.9 (4) three percent of the receipts must be deposited in the natural resources fund, and
6.10 may be spent only on local trail grants; and

6.11 (5) two percent of the receipts must be deposited in the natural resources fund, and may
6.12 be spent only for the Minnesota Zoological Garden, the Como Park Zoo and Conservatory,
6.13 and the Duluth Zoo.

6.14 ~~(f)~~ (i) The revenue dedicated under paragraph (e) may not be used as a substitute for
6.15 traditional sources of funding for the purposes specified, but the dedicated revenue shall
6.16 supplement traditional sources of funding for those purposes. Land acquired with money
6.17 deposited in the game and fish fund under paragraph (e) must be open to public hunting
6.18 and fishing during the open season, except that in aquatic management areas or on lands
6.19 where angling easements have been acquired, fishing may be prohibited during certain times
6.20 of the year and hunting may be prohibited. At least 87 percent of the money deposited in
6.21 the game and fish fund for improvement, enhancement, or protection of fish and wildlife
6.22 resources under paragraph (e) must be allocated for field operations.

6.23 ~~(g)~~ (j) The revenues deposited under paragraphs (a) to (f) do not include the revenues,
6.24 including interest and penalties, generated by the sales tax imposed under section 297A.62,
6.25 subdivision 1a, which must be deposited as provided under the Minnesota Constitution,
6.26 article XI, section 15.

6.27 **EFFECTIVE DATE.** This section is effective July 1, 2017.

6.28 **Sec. 10. TRANSFER.**

6.29 \$..... in fiscal year 2017 is transferred from the general fund to the highway user tax
6.30 distribution fund. This is a onetime transfer.

7.1 Sec. 11. **APPROPRIATION.**

7.2 \$..... in fiscal year 2017 is appropriated from the general fund to the commissioner of
7.3 transportation for the corridors of commerce program authorized under Minnesota Statutes,
7.4 section 161.088. This is a onetime appropriation.

7.5 Sec. 12. **REPEALER.**

7.6 Minnesota Statutes 2016, section 296A.18, subdivisions 2, 3, 4, 5, 6, 6a, and 7, are
7.7 repealed.

7.8 **ARTICLE 2**

7.9 **TRUNK HIGHWAY BONDING**

7.10 Section 1. **BOND APPROPRIATIONS.**

7.11 The sums shown in the column under "Appropriations" are appropriated from the bond
7.12 proceeds account in the trunk highway fund to the state agencies or officials indicated, to
7.13 be spent for public purposes. Appropriations of bond proceeds must be spent as authorized
7.14 by the Minnesota Constitution, articles XI and XIV. Unless otherwise specified, money
7.15 appropriated in this article for a capital program or project may be used to pay state agency
7.16 staff costs that are attributed directly to the capital program or project in accordance with
7.17 accounting policies adopted by the commissioner of management and budget.

	<u>2018</u>	<u>Total</u>
7.18 <u>Department of Transportation</u>	<u>\$</u> <u>....,000</u>	<u>\$</u> <u>....,000</u>
7.19 <u>Department of Management</u>		
7.20 <u>and Budget</u>	<u>\$</u> <u>....,000</u>	<u>\$</u> <u>....,000</u>
7.21 <u>Total</u>	<u>\$</u>	<u>\$</u>

7.23 Sec. 2. **DEPARTMENT OF**
7.24 **TRANSPORTATION**

7.25 **Subdivision 1. Total Appropriations** **\$** **....,000**

7.26 To the commissioner of transportation for the
7.27 purposes specified in this section.

7.28 **Subd. 2. Corridors of Commerce** **....,000**

7.29 This appropriation is to the commissioner of
7.30 transportation for the corridors of commerce
7.31 program under Minnesota Statutes, section
7.32 161.088.

8.1 In any fiscal year covered by this
 8.2 appropriation, the commissioner may identify
 8.3 projects based on previous selection processes
 8.4 or may perform a new selection.

8.5 **Subd. 3. Transportation Economic Development** **...,000**

8.6 This appropriation is for the transportation
 8.7 economic development program under
 8.8 Minnesota Statutes, section 174.12.

8.9 **Subd. 4. State Road Construction** **...,000**

8.10 This appropriation is for the construction,
 8.11 reconstruction, and improvement of trunk
 8.12 highways, including design-build contracts.

8.13 This includes the cost of actual payment to
 8.14 landowners for lands acquired for highway
 8.15 rights-of-way, payment to lessees, interest
 8.16 subsidies, and relocation expenses.

8.17 **Sec. 3. BOND SALE EXPENSES** **\$** **...,000**

8.18 This appropriation is to the commissioner of
 8.19 management and budget for bond sale
 8.20 expenses under Minnesota Statutes, sections
 8.21 16A.641, subdivision 8, and 167.50,
 8.22 subdivision 4, and is effective through fiscal
 8.23 year 2025.

8.24 **Sec. 4. BOND SALE AUTHORIZATION.**

8.25 To provide the money appropriated in this article from the bond proceeds account in the
 8.26 trunk highway fund, the commissioner of management and budget shall sell and issue bonds
 8.27 of the state in an amount up to \$..... in the manner, upon the terms, and with the effect
 8.28 prescribed by Minnesota Statutes, sections 167.50 to 167.52, and by the Minnesota
 8.29 Constitution, article XIV, section 11, at the times and in the amounts requested by the
 8.30 commissioner of transportation. The proceeds of the bonds, except accrued interest and any
 8.31 premium received from the sale of the bonds, must be deposited in the bond proceeds account
 8.32 in the trunk highway fund.

APPENDIX
Article locations in 17-1278

ARTICLE 1	TRANSPORTATION FINANCE	Page.Ln 1.9
ARTICLE 2	TRUNK HIGHWAY BONDING	Page.Ln 7.8

296A.18 APPORTIONMENT OF TAX; DEPOSIT OF PROCEEDS.

Subd. 2. **Motorboat.** Approximately 1-1/2 percent of all gasoline received in this state and 1-1/2 percent of all gasoline produced or brought into this state, except gasoline used for aviation purposes, is being used as fuel for the operation of motorboats on the waters of this state and of the total revenue derived from the imposition of the gasoline fuel tax for uses other than for aviation purposes, 1-1/2 percent of the revenue is the amount of tax on fuel used in motorboats operated on the waters of this state. The amount of unrefunded tax paid on gasoline used for motor boat purposes as computed in this chapter shall be paid into the state treasury and credited to a water recreation account in the special revenue fund for acquisition, development, maintenance, and rehabilitation of sites for public access and boating facilities on public waters; lake and river improvement; and boat and water safety.

Subd. 3. **Snowmobile.** Approximately one percent of all gasoline received in and produced or brought into this state, except gasoline used for aviation purposes, is being used as fuel for the operation of snowmobiles in this state, and of the total revenue derived from the imposition of the gasoline fuel tax for uses other than for aviation purposes, one percent of such revenues is the amount of tax on fuel used in snowmobiles operated in this state.

Subd. 4. **All-terrain vehicle.** Approximately 0.27 of one percent of all gasoline received in or produced or brought into this state, except gasoline used for aviation purposes, is being used for the operation of all-terrain vehicles in this state, and of the total revenue derived from the imposition of the gasoline fuel tax, 0.27 of one percent is the amount of tax on fuel used in all-terrain vehicles operated in this state.

Subd. 5. **Off-highway motorcycles.** Approximately 0.046 of one percent of all gasoline received or produced in or brought into this state, except gasoline used for aviation purposes, is being used for the operation of off-highway motorcycles in this state, and of the total revenue derived from the imposition of the gasoline fuel tax for uses other than for aviation purposes, 0.046 of one percent is the amount of tax on fuel used in off-highway motorcycles operated in this state.

Subd. 6. **Off-road vehicle.** Approximately 0.164 of one percent of all gasoline received or produced in or brought into this state, except gasoline used for aviation purposes, is being used for the off-road operation of off-road vehicles, as defined in section 84.797, in this state, and of the total revenue derived from the imposition of the gasoline fuel tax for uses other than aviation purposes, 0.164 of one percent is the amount of tax on fuel used for off-road operation of off-road vehicles in this state.

Subd. 6a. **Computation of nonhighway use amounts.** The nonhighway use amounts determined in subdivisions 2 to 6 must be transferred from the highway user tax distribution fund to the accounts as provided for in sections 84.794, 84.803, 84.83, 84.927, and 86B.706. These amounts, together with interest and penalties for delinquency in payment, paid or collected pursuant to the provisions of this chapter, must be computed for each six-month period ending June 30 and December 31 and must be transferred on November 1 and June 1 following each six-month period.

Subd. 7. **Forest road.** Approximately 0.116 percent of the total annual unrefunded revenue from the gasoline fuel tax on all gasoline and special fuel received in, produced, or brought into this state, except gasoline and special fuel used for aviation purposes, is derived from the operation of motor vehicles on state forest roads and county forest access roads. This revenue, together with interest and penalties for delinquency in payment, paid or collected pursuant to the provisions of this chapter, is appropriated from the highway user tax distribution fund and must be transferred and credited in equal installments on July 1 and January 1 to the state forest road account established in section 89.70. Of this amount, 0.0605 percent is annually derived from motor vehicles operated on state forest roads and 0.0555 percent is annually derived from motor vehicles operated on county forest access roads in this state. An amount equal to 0.0555 percent of the unrefunded revenue must be annually transferred to counties for the management and maintenance of county forest roads.