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State of Minnesota

HOUSE OF REPRESENTATIVES

NINETY-SECOND SESSION

H. F. No. 1638

02/25/2021 Authored by Hausman and Pelowski
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 railroads; modifying passenger and freight rail powers and funding;
1.3 allocating certain revenue related to property taxes; making technical changes;
1.4 amending Minnesota Statutes 2020, sections 174.632, subdivision 2; 174.636,
1.5 subdivision 1, by adding a subdivision; proposing coding for new law in Minnesota
1.6 Statutes, chapter 174; repealing Minnesota Statutes 2020, section 174.634.

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

1.8 Section 1. Minnesota Statutes 2020, section 174.632, subdivision 2, is amended to read:

1.9 Subd. 2. Responsibilities. (a) The planning, design, development, construction, operation,
1.10 and maintenance of passenger rail track, facilities, and services are governmental functions,
1.11 serve a public purpose, and are a matter of public necessity.

1.12 (b) The commissioner is responsible for all aspects of planning, designing, developing,
1.13 constructing, equipping, operating, and maintaining passenger rail, including system planning,
1.14 alternatives analysis, environmental studies, preliminary engineering, final design,
1.15 construction, negotiating with railroads, and developing financial and operating plans.

1.16 (c) The commissioner may enter into a memorandum of understanding or agreement
1.17 with a public or private entity, including Amtrak, a regional railroad authority, a joint powers
1.18 board, and a railroad, to carry out these activities.

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

1.20 Sec. 2. Minnesota Statutes 2020, section 174.636, subdivision 1, is amended to read:

1.21 Subdivision 1. Powers. (a) The commissioner has all powers necessary to carry out the
1.22 duties specified in section 174.632. In the exercise of those powers, the commissioner may:

2.1 (1) acquire by purchase, gift, or by eminent domain proceedings as provided by law, all
 2.2 land and property necessary to preserve future passenger rail corridors or to construct,
 2.3 maintain, and improve passenger rail corridors;

2.4 (2) let all necessary contracts as provided by law; ~~and~~

2.5 (3) make agreements ~~with~~, enter into memorandums of understanding, and cooperate
 2.6 with any public or private entity, including Amtrak, a regional railroad authority, a joint
 2.7 powers board, and a railroad, to carry out statutory duties related to passenger rail-;

2.8 (4) enter into agreements, including repayment agreements, with governmental or
 2.9 nongovernmental entities, including private and nonprofit entities, to finance or invest in
 2.10 passenger rail projects subject to (i) the availability of state money or other dedicated revenue
 2.11 or resources, and (ii) approval of the commissioner of management and budget; and

2.12 (5) apply for funding from federal, state, regional, local, and private sources to carry out
 2.13 the commissioner's duties under section 174.632.

2.14 (b) Section 174.88, subdivision 2, does not apply to the commissioner's performance of
 2.15 duties and exercise of powers under sections 174.632 to 174.636.

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

2.17 Sec. 3. Minnesota Statutes 2020, section 174.636, is amended by adding a subdivision to
 2.18 read:

2.19 **Subd. 5. Local units of government.** Upon approval by the commissioner, a county or
 2.20 regional railroad authority may plan and apply for funding for a passenger rail project that
 2.21 is consistent with the statewide freight and passenger rail plan under section 174.03,
 2.22 subdivision 1b.

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

2.24 Sec. 4. **[174.638] PASSENGER AND FREIGHT RAIL; FUNDING.**

2.25 **Subdivision 1. State railroad account.** (a) A state railroad account is established in the
 2.26 Minnesota state transportation fund established under section 174.50. The account consists
 2.27 of transfers under subdivision 5 and funds donated, allotted, transferred, or otherwise
 2.28 provided to the account.

2.29 (b) Money in the account may be expended only as appropriated by law. The
 2.30 appropriation under section 174.50, subdivision 3, does not include funds in the state railroad
 2.31 account.

3.1 (c) The state railroad account must not contain bond proceeds provided to the state
3.2 transportation fund under section 174.50.

3.3 Subd. 2. **Biennial budget; reporting, consultation.** (a) As part of the revenues and
3.4 expenditures projections required under section 16A.04, the commissioner of management
3.5 and budget must report revenues and balances in the state railroad account.

3.6 (b) When preparing the biennial budget request as required under section 16A.10, the
3.7 commissioner of transportation must consult with metropolitan planning organizations,
3.8 regional railroad authorities, railroad companies, representatives of railroad labor
3.9 organizations, and other interested rail stakeholders to develop the request for expenditures
3.10 from the state railroad account.

3.11 Subd. 3. **Use of funds.** Funds in the state railroad account must be used only for:

3.12 (1) salaries and operating expenses of Department of Transportation personnel to carry
3.13 out freight rail and passenger rail functions;

3.14 (2) expenses of consultants and contractors selected by the commissioner of transportation
3.15 to assist the execution of freight rail and passenger rail functions;

3.16 (3) expenses for equipment, land, property, infrastructure, and all improvements necessary
3.17 for freight rail and passenger rail projects, including planning, alternatives analysis,
3.18 environmental analysis, design, and engineering;

3.19 (4) matching federal funds received for freight rail and passenger rail activities; and

3.20 (5) intercity passenger rail service operating expenses not covered by passenger revenues.

3.21 Subd. 4. **State railroad property tax; certification of estimate.** On or before June 30
3.22 of each year, the commissioner of revenue must:

3.23 (1) certify a state railroad property tax estimate, calculated as an estimate of the amount
3.24 of state general property tax authorized in section 275.025 collected on all railroad Class
3.25 III operating property in the state for the previous year; and

3.26 (2) report the state railroad property tax estimate to the commissioners of management
3.27 and budget and transportation.

3.28 Subd. 5. **State railroad property tax; transfer.** The commissioner of management and
3.29 budget must annually transfer from the general fund to the state railroad account amounts,
3.30 based on the most recent state railroad property tax estimate under subdivision 4, as follows:

3.31 (1) by July 31, 2021, 15 percent of the state railroad property tax estimate;

- 4.1 (2) by July 31, 2022, 25 percent of the state railroad property tax estimate;
- 4.2 (3) by July 31, 2023, 30 percent of the state railroad property tax estimate;
- 4.3 (4) by July 31, 2024, 45 percent of the state railroad property tax estimate;
- 4.4 (5) by July 31, 2025, 60 percent of the state railroad property tax estimate;
- 4.5 (6) by July 31, 2026, 85 percent of the state railroad property tax estimate; and
- 4.6 (7) by July 31, 2027, and each July 31 thereafter, 100 percent of the state railroad property
- 4.7 tax estimate.

4.8 **EFFECTIVE DATE.** This section is effective July 1, 2021.

4.9 Sec. 5. **REPEALER.**

4.10 Minnesota Statutes 2020, section 174.634, is repealed.

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

APPENDIX
Repealed Minnesota Statutes: 21-02933

174.634 PASSENGER RAIL; FUNDING.

(a) The commissioner may apply for funding from federal, state, regional, local, and private sources to carry out the commissioner's duties in section 174.632.

(b) Section 174.88, subdivision 2, does not apply to the commissioner's performance of duties and exercise of powers under sections 174.632 to 174.636.