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State of Minnesota
HOUSE OF REPRESENTATIVES

EIGHTY-NINTH SESSION

H. F. No. 1680

03/10/2015 Authored by Erhardt and Sundin

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

1.1 A bill for an act
1.2 relating to state government finance; amending various provisions related to
1.3 transportation finance; modifying certain taxes; allocating certain revenues from
1.4 the general fund; amending certain base appropriations; imposing a gross receipts
1.5 tax on motor fuels; making appropriations; authorizing sale and issuance of state
1.6 bonds; amending Minnesota Statutes 2014, sections 97A.055, subdivision 2;
1.7 161.53; 168.013, subdivision 1a; 168.381, subdivision 4; 296A.061; 296A.11;
1.8 296A.12; 296A.16; 296A.18, subdivisions 6a, 7; 297A.815, subdivision 3;
1.9 297A.94; 297A.992, subdivision 2; 297B.02, subdivision 1; proposing coding
1.10 for new law in Minnesota Statutes, chapters 296A; 435; repealing Minnesota
1.11 Statutes 2014, section 16A.60.

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

1.13 ARTICLE 1

1.14 TRUNK HIGHWAY BONDS

1.15 Section 1. **BOND APPROPRIATIONS.**

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

1.23 **SUMMARY**

| | | | |
|------|--|-----------|-----------------------------|
| 1.24 | <u>Department of Transportation</u> | \$ | <u>1,400,000,000</u> |
| 1.25 | <u>Department of Management and Budget</u> | | <u>1,400,000</u> |
| 1.26 | <u>TOTAL</u> | \$ | <u>1,401,400,000</u> |

1.27 **APPROPRIATIONS**

2.1 **Sec. 2. CORRIDORS OF COMMERCE**
 2.2 **PROGRAM**

\$ 1,200,000,000

2.3 (a) The appropriation in this section is
 2.4 to the commissioner of transportation for
 2.5 the corridors of commerce program under
 2.6 Minnesota Statutes, section 161.088, and is
 2.7 available in the amounts of \$300,000,000 in
 2.8 each of fiscal years 2016 through 2019.

2.9 (b) In any fiscal year covered by this
 2.10 appropriation, the commissioner may
 2.11 identify projects based on previous selection
 2.12 processes or may perform a new selection.

2.13 (c) The appropriation in this section cancels
 2.14 as specified under Minnesota Statutes, section
 2.15 16A.642, except that the commissioner of
 2.16 management and budget shall count the start
 2.17 of authorization for issuance of state bonds
 2.18 as the first day of the fiscal year during
 2.19 which the bonds are available to be issued as
 2.20 specified under paragraph (a), and not as the
 2.21 date of enactment of this section.

2.22 **Sec. 3. TRANSPORTATION ECONOMIC**
 2.23 **DEVELOPMENT PROGRAM**

\$ 200,000,000

2.24 (a) This appropriation is for the transportation
 2.25 economic development program under
 2.26 Minnesota Statutes, section 174.12, and is
 2.27 available in the amounts of \$50,000,000 in
 2.28 each of fiscal years 2016 through 2019.

2.29 (b) The appropriation in this section cancels
 2.30 as specified under Minnesota Statutes, section
 2.31 16A.642, except that the commissioner of
 2.32 management and budget shall count the start
 2.33 of authorization for issuance of state bonds
 2.34 as the first day of the fiscal year during

3.1 which the bonds are available to be issued as
 3.2 specified under paragraph (a), and not as the
 3.3 date of enactment of this section.

3.4 Sec. 4. **BOND SALE EXPENSES** **\$** **1,400,000**

3.5 This appropriation is to the commissioner
 3.6 of management and budget for bond sale
 3.7 expenses under Minnesota Statutes, sections
 3.8 16A.641, subdivision 8; and 167.50,
 3.9 subdivision 4.

3.10 Sec. 5. **BOND SALE AUTHORIZATION.**

3.11 To provide the money appropriated in this article from the bond proceeds account in
 3.12 the trunk highway fund, the commissioner of management and budget shall sell and issue
 3.13 bonds of the state in an amount up to \$1,401,400,000 in the manner, upon the terms, and
 3.14 with the effect prescribed by Minnesota Statutes, sections 167.50 to 167.52, and by the
 3.15 Minnesota Constitution, article XIV, section 11, at the times and in the amounts requested
 3.16 by the commissioner of transportation. The proceeds of the bonds, except accrued interest
 3.17 and any premium received from the sale of the bonds, must be deposited in the bond
 3.18 proceeds account in the trunk highway fund.

3.19 Sec. 6. **EFFECTIVE DATE.**

3.20 This article is effective July 1, 2015.

3.21 ARTICLE 2

3.22 DEDICATED FUNDS REALIGNMENT

3.23 Section 1. Minnesota Statutes 2014, section 161.53, is amended to read:

3.24 **161.53 RESEARCH ACTIVITIES.**

3.25 (a) The commissioner ~~may set aside~~ shall identify a research funding level in
 3.26 each fiscal year of up to two percent of the total amount of all funds appropriated to the
 3.27 commissioner ~~other than,~~ excluding county state-aid and municipal state-aid highway
 3.28 funds and appropriations from the general fund.

3.29 (b) An amount equal to the research funding level identified under paragraph (a)
 3.30 is annually appropriated from the general fund to the commissioner for transportation
 3.31 research including public and private research partnerships. The commissioner shall

4.1 spend this money for (1) research to improve the design, construction, maintenance,
 4.2 management, and environmental compatibility of transportation systems, including
 4.3 research into and implementation of innovations in bridge-monitoring technology and
 4.4 bridge inspection technology; bridge inspection techniques and best practices; and the
 4.5 cost-effectiveness of deferred or lower cost highway and bridge design and maintenance
 4.6 activities and their impacts on long-term trunk highway costs and maintenance needs;
 4.7 (2) research on transportation policies that enhance energy efficiency and economic
 4.8 development; (3) programs for implementing and monitoring research results; and (4)
 4.9 development of transportation education and outreach activities.

4.10 ~~(b) Of all funds appropriated to the commissioner other than state-aid funds~~ (c) From
 4.11 the appropriation under paragraph (b), the commissioner shall spend an amount equal to at
 4.12 least 0.1 percent of all funds appropriated to the commissioner, excluding state-aid funds
 4.13 and appropriations from the general fund, but not exceeding \$2,000,000 in any fiscal year,
 4.14 for research and related activities performed by the Center for Transportation Studies of
 4.15 the University of Minnesota. The center shall establish a technology transfer and training
 4.16 center for Minnesota transportation professionals. By June 30, 2018, the center shall
 4.17 conduct research on transportation policy and economic competitiveness, including, but
 4.18 not limited to, innovative transportation finance options and economic development,
 4.19 transportation impacts of industry clusters and freight, and transportation technology
 4.20 impacts on economic competitiveness.

4.21 Sec. 2. Minnesota Statutes 2014, section 168.381, subdivision 4, is amended to read:

4.22 Subd. 4. **Appropriations.** (a) Money appropriated to the Department of Public
 4.23 Safety to procure the plates for any fiscal year or years is available for allotment,
 4.24 encumbrance, and expenditure from and after the date of the enactment of the
 4.25 appropriation. Materials and equipment used in the manufacture of plates are subject
 4.26 only to the approval of the commissioner.

4.27 ~~(b) This section contemplates that money to be appropriated to the Department of~~
 4.28 ~~Public Safety to carry out the terms and provisions of this section will be appropriated by~~
 4.29 ~~the legislature from the highway user tax distribution fund.~~

4.30 (e) A sum sufficient is appropriated annually from the vehicle services operating
 4.31 account in the special revenue fund to the commissioner to pay the costs of purchasing,
 4.32 delivering, and mailing plates, registration stickers, and registration notices.

4.33 Sec. 3. Minnesota Statutes 2014, section 296A.18, subdivision 6a, is amended to read:

5.1 Subd. 6a. **Computation of nonhighway use amounts.** The nonhighway use
 5.2 amounts determined in subdivisions 2 to 6 must be transferred from the ~~highway user tax~~
 5.3 ~~distribution~~ general fund to the accounts as provided for in sections 84.794, 84.803, 84.83,
 5.4 84.927, and 86B.706. These amounts, together with interest and penalties for delinquency
 5.5 in payment, paid or collected pursuant to the provisions of this chapter, must be computed
 5.6 for each six-month period ending June 30 and December 31 and must be transferred on
 5.7 November 1 and June 1 following each six-month period.

5.8 Sec. 4. Minnesota Statutes 2014, section 296A.18, subdivision 7, is amended to read:

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

5.22 Sec. 5. **BASE APPROPRIATIONS.**

5.23 **Subdivision 1. Trunk highway fund; Department of Transportation.**
 5.24 Notwithstanding Laws 2013, chapter 117, article 1, sections 3 and 6, each base
 5.25 appropriation from the highway user tax distribution fund is zero, and the respective
 5.26 base appropriation from the general fund is increased by a corresponding amount, for
 5.27 the following:

- 5.28 (1) aeronautics budget activity;
 5.29 (2) transit budget activity;
 5.30 (3) freight budget activity;
 5.31 (4) electronic communications budget activity;
 5.32 (5) agency management - agency services budget activity;
 5.33 (6) agency management - buildings budget activity; and
 5.34 (7) tort claims budget activity.

6.1 Subd. 2. **Trunk highway fund; Department of Public Safety.** Notwithstanding
 6.2 Laws 2013, chapter 117, article 1, section 5, and Laws 2014, chapter 312, article 9, section
 6.3 11, each base appropriation from the trunk highway fund is zero, and the respective base
 6.4 appropriation from the general fund is increased by a corresponding amount, for the
 6.5 following:

- 6.6 (1) administration and related services - communications budget activity;
- 6.7 (2) administration and related services - public safety support budget activity;
- 6.8 (3) administration and related services - technology and support services budget
 6.9 activity;
- 6.10 (4) state patrol - patrolling highways budget activity;
- 6.11 (5) state patrol - commercial vehicle enforcement budget activity;
- 6.12 (6) driver services budget activity; and
- 6.13 (7) traffic safety budget activity.

6.14 Subd. 3. **Highway user tax distribution fund; Department of Public Safety.**
 6.15 Notwithstanding Laws 2013, chapter 117, article 1, section 5, each base appropriation
 6.16 from the highway user tax distribution fund is zero, and the respective base appropriation
 6.17 from the general fund is increased by a corresponding amount, for the following:

- 6.18 (1) public safety support budget activity;
- 6.19 (2) technology and support services budget activity;
- 6.20 (3) state patrol - patrolling highways budget activity;
- 6.21 (4) state patrol - vehicle crimes unit budget activity; and
- 6.22 (5) vehicle services budget activity.

6.23 Subd. 4. **Highway user tax distribution fund; Department of Revenue.**
 6.24 Notwithstanding Laws 2013, chapter 142, article 1, section 14, the base appropriation
 6.25 from the highway user tax distribution highway fund is zero, and the respective base
 6.26 appropriation from the general fund is increased by a corresponding amount, for the tax
 6.27 management system appropriation.

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

6.29 Sec. 6. **REPEALER.**

6.30 Minnesota Statutes 2014, section 16A.60, is repealed.

7.1 **ARTICLE 3**

7.2 **SALES TAXES REALLOCATION**

7.3 Section 1. Minnesota Statutes 2014, section 97A.055, subdivision 2, is amended to read:

7.4 Subd. 2. **Receipts.** The commissioner of management and budget shall credit to the
7.5 game and fish fund all money received under the game and fish laws and all income from
7.6 state lands acquired by purchase or gift for game or fish purposes, including receipts from:

7.7 (1) licenses and permits issued;

7.8 (2) fines and forfeited bail;

7.9 (3) sales of contraband, wild animals, and other property under the control of the
7.10 division;

7.11 (4) fees from advanced education courses for hunters and trappers;

7.12 (5) reimbursements of expenditures by the division;

7.13 (6) contributions to the division; and

7.14 (7) revenue credited to the game and fish fund under section 297A.94, paragraph
7.15 ~~(e)~~ (h), clause (1).

7.16 Sec. 2. Minnesota Statutes 2014, section 297A.815, subdivision 3, is amended to read:

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

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

7.23 ~~(e)~~ (b) On or after July 1 of the subsequent fiscal year, the commissioner of
7.24 management and budget shall transfer the ~~net revenue~~ as estimated in paragraph ~~(b)~~ (a)
7.25 from the general fund, as follows:

7.26 (1) ~~\$9,000,000 annually until January 1, 2015, and 50 percent annually thereafter~~
7.27 30 percent to the county state-aid highway fund. Notwithstanding any other law to
7.28 the contrary, the commissioner of transportation shall allocate the funds transferred
7.29 under this clause to the counties in the metropolitan area, as defined in section 473.121,
7.30 subdivision 4, excluding the counties of Hennepin and Ramsey, so that each county shall
7.31 receive of such amount the percentage that its population, as defined in section 477A.011,
7.32 subdivision 3, estimated or established by July 15 of the year prior to the current calendar
7.33 year, bears to the total population of the counties receiving funds under this clause; ~~and~~

7.34 (2) ~~the remainder~~ 30 percent to the greater Minnesota transit account; and

8.1 (3) 40 percent to the highway user tax distribution fund.

8.2 **EFFECTIVE DATE.** This section is effective the day following final enactment
8.3 and applies to allocations made on or after July 1, 2015.

8.4 Sec. 3. Minnesota Statutes 2014, section 297A.94, is amended to read:

8.5 **297A.94 DEPOSIT OF REVENUES.**

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

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

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

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

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

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

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

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

8.27 (d) The commissioner shall deposit the revenues, including interest and penalties,
8.28 collected under section 297A.64, subdivision 1, in the state treasury and credit them to the
8.29 general fund. By July 15 of each year, the commissioner shall transfer from the general
8.30 fund to the highway user tax distribution fund an amount equal to the revenues collected
8.31 under this paragraph for the previous calendar year.

8.32 (e) The commissioner shall deposit the revenues, including interest and penalties,
8.33 collected under section 297A.64, subdivision 5, in the state treasury and credit them to the
8.34 general fund. By July 15 of each year the commissioner shall transfer to the highway user

9.1 tax distribution fund an amount equal to the excess fees collected under section 297A.64,
9.2 subdivision 5, for the previous calendar year.

9.3 (f) By July 15 of each year, the commissioner shall transfer from the general fund
9.4 to the highway user tax distribution fund an amount equal to the estimated revenues,
9.5 including interest and penalties, collected under the tax rate imposed under section
9.6 297A.62, subdivision 1, on the sale or purchase of rental motor vehicles subject to section
9.7 297A.64 during the previous calendar year. The commissioner shall estimate the amount
9.8 of total sales tax revenues transferred under this paragraph based on the amount of revenue
9.9 transferred in paragraph (d).

9.10 (g) By July 15, 2015, the commissioner shall transfer from the general fund to
9.11 the highway user tax distribution fund \$150,000,000 as the estimated amount of taxes
9.12 collected from the sale and purchase of motor vehicle parts in calendar year 2014. By
9.13 July 15 of each subsequent year, the commissioner shall transfer from the general fund
9.14 to the highway user tax distribution fund an amount equal to the estimated revenues,
9.15 including interest and penalties, collected in tax from the sale or purchase of motor vehicle
9.16 repair and replacement parts. Beginning June 30, 2016, and by June 30 of every fourth
9.17 year thereafter, the commissioner shall estimate the percentage of total sales tax revenues
9.18 collected in the previous calendar year that is attributable to sales and purchases of motor
9.19 vehicle parts based on federal data and department consumption models. The amount of
9.20 sales tax revenue to be transferred to the highway user tax distribution fund on each
9.21 July 15 is equal to the most recently calculated percentage estimate under this paragraph
9.22 multiplied by the total sales tax revenues collected in the previous calendar year. For
9.23 purposes of this paragraph, "motor vehicle" has the meaning given in section 297B.01,
9.24 subdivision 11, and "motor vehicle repair and replacement parts" includes (1) all parts,
9.25 tires, accessories, and equipment incorporated into or affixed to the motor vehicle as part
9.26 of the motor vehicle maintenance or repair, and (2) paint, oil, and other fluids that remain
9.27 on or in the motor vehicle as part of the motor vehicle maintenance or repair.

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

9.31 (1) 50 percent of the receipts must be deposited in the heritage enhancement account
9.32 in the game and fish fund, and may be spent only on activities that improve, enhance, or
9.33 protect fish and wildlife resources, including conservation, restoration, and enhancement
9.34 of land, water, and other natural resources of the state;

9.35 (2) 22.5 percent of the receipts must be deposited in the natural resources fund, and
9.36 may be spent only for state parks and trails;

10.1 (3) 22.5 percent of the receipts must be deposited in the natural resources fund, and
 10.2 may be spent only on metropolitan park and trail grants;

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

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

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

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

10.21 **EFFECTIVE DATE.** This section is effective July 1, 2015, and applies for revenues
 10.22 collected in fiscal year 2015 and thereafter.

10.23 **ARTICLE 4**

10.24 **TRANSPORTATION-RELATED TAXES**

10.25 Section 1. Minnesota Statutes 2014, section 168.013, subdivision 1a, is amended to read:

10.26 Subd. 1a. **Passenger automobile; hearse.** (a) On passenger automobiles as
 10.27 defined in section 168.002, subdivision 24, and hearses, except as otherwise provided,
 10.28 the tax ~~shall be~~ is:

10.29 ~~\$10~~ (1) \$20; plus

10.30 (2) an additional tax equal to ~~1.25~~ 1.5 percent of the base value.

10.31 (b) Subject to the classification provisions herein, "base value" means the
 10.32 manufacturer's suggested retail price of the vehicle including destination charge using list
 10.33 price information published by the manufacturer or determined by the registrar if no

11.1 suggested retail price exists, and shall not include the cost of each accessory or item of
11.2 optional equipment separately added to the vehicle and the suggested retail price.

11.3 (c) If the manufacturer's list price information contains a single vehicle identification
11.4 number followed by various descriptions and suggested retail prices, the registrar shall
11.5 select from those listings only the lowest price for determining base value.

11.6 (d) If unable to determine the base value because the vehicle is specially constructed,
11.7 or for any other reason, the registrar may establish such value upon the cost price to the
11.8 purchaser or owner as evidenced by a certificate of cost but not including Minnesota sales
11.9 or use tax or any local sales or other local tax.

11.10 (e) The registrar shall classify every vehicle in its proper base value class as follows:

| | | |
|-------|--------|-----------|
| 11.11 | FROM | TO |
| 11.12 | \$ 0 | \$ 199.99 |
| 11.13 | \$ 200 | \$ 399.99 |

11.14 and thereafter a series of classes successively set in brackets having a spread of \$200
11.15 consisting of such number of classes as will permit classification of all vehicles.

11.16 (f) The base value for purposes of this section shall be the middle point between
11.17 the extremes of its class.

11.18 (g) The registrar shall establish the base value, when new, of every passenger
11.19 automobile and hearse registered prior to the effective date of Extra Session Laws 1971,
11.20 chapter 31, using list price information published by the manufacturer or any nationally
11.21 recognized firm or association compiling such data for the automotive industry. If unable
11.22 to ascertain the base value of any registered vehicle in the foregoing manner, the registrar
11.23 may use any other available source or method. The registrar shall calculate tax using base
11.24 value information available to dealers and deputy registrars at the time the application for
11.25 registration is submitted. The tax on all previously registered vehicles shall be computed
11.26 upon the base value thus determined taking into account the depreciation provisions of
11.27 paragraph (h).

11.28 (h) The annual additional tax must be computed upon a percentage of the base value
11.29 as follows: during the first year of vehicle life, upon 100 percent of the base value; for the
11.30 second year, 90 percent of such value; for the third year, 80 percent of such value; for the
11.31 fourth year, 70 percent of such value; for the fifth year, 60 percent of such value; for the
11.32 sixth year, 50 percent of such value; for the seventh year, 40 percent of such value; for the
11.33 eighth year, 30 percent of such value; for the ninth year, 20 percent of such value; for the
11.34 tenth year, ten percent of such value; for the 11th and each succeeding year, the sum of \$25.

11.35 (i) In no event shall the annual additional tax be less than \$25.

12.1 (j) For any vehicle previously registered in Minnesota and regardless of prior
 12.2 vehicle ownership, the annual additional tax total amount due under this subdivision
 12.3 must not exceed the smallest total amount of annual additional tax previously paid or
 12.4 due on the vehicle.

12.5 **EFFECTIVE DATE.** This section is effective the day following final enactment
 12.6 and applies to taxes payable for a registration period starting on or after January 1, 2016.

12.7 Sec. 2. Minnesota Statutes 2014, section 296A.061, is amended to read:

12.8 **296A.061 CANCELLATION OR NONRENEWAL OF LICENSES.**

12.9 The commissioner may cancel a license or not renew a license if one of the following
 12.10 conditions occurs:

- 12.11 (1) the license holder has not filed a petroleum tax return or report for at least one year;
 12.12 (2) the license holder has not filed a gross receipts tax return for at least one year;
 12.13 (3) the license holder has not reported any petroleum tax liability or gross receipts
 12.14 tax liability on the license holder's returns or reports for at least one year; or
 12.15 ~~(3)~~ (4) the license holder requests cancellation of the license.

12.16 Sec. 3. **[296A.085] MOTOR FUELS GROSS RECEIPTS TAX.**

12.17 Subdivision 1. Imposition. A tax is imposed on the first sale at wholesale within
 12.18 this state of all gasoline, as defined in section 297A.06, subdivision 1, agricultural alcohol
 12.19 gasoline, and special fuel for use in propelling motor vehicles used on the public highways
 12.20 of this state. The tax is imposed on a distributor, special fuel dealer, or bulk purchaser,
 12.21 as appropriate, engaged in the business of selling the fuel, and is payable at a rate as
 12.22 specified in subdivision 3.

12.23 Subd. 2. Exemptions. Subdivision 1 does not apply to gasoline, denatured ethanol,
 12.24 special fuel, or alternative fuel purchased by an entity described in section 296A.07,
 12.25 subdivision 4, or 296A.08, subdivision 3.

12.26 Subd. 3. Conversion of tax rate. (a) On or before June 1 annually, the
 12.27 commissioner shall determine and impose a gross receipts motor fuels tax rate on a per
 12.28 gallon basis, or a per gasoline equivalent basis with respect to compressed natural gas.
 12.29 The tax rate per gallon and per gasoline equivalent must be the greater of either:

12.30 (1) ten cents; or

12.31 (2) 6.5 percent of the average wholesale gasoline price per gallon by refiners for all
 12.32 grades in Minnesota in the prior calendar year, as published by the United States Energy
 12.33 Information Administration and rounded to the nearest tenth of a cent per gallon.

13.1 (b) The rate determined under paragraph (a) is effective for a 12-month period
 13.2 consisting of the next October 1 to September 30.

13.3 (c) For purposes of this subdivision, "gasoline equivalent" has the meaning given in
 13.4 section 296A.08, subdivision 2.

13.5 Subd. 4. **Administrative provisions.** (a) Except as otherwise provided in this
 13.6 chapter, the relevant audit, assessment, refund, penalty, interest, enforcement, collection
 13.7 remedies, appeal, and administrative provisions of chapter 289A that apply to other taxes
 13.8 imposed under this chapter apply to taxes imposed under this section.

13.9 (b) On or before June 15 annually, the commissioner shall publish on the
 13.10 department's Web site the rates for the gross receipts tax under this section and the excise
 13.11 tax under sections 296A.07 and 296A.08.

13.12 Subd. 5. **Deposit of revenues.** The commissioner shall deposit the revenues from
 13.13 the gross receipts tax into the highway user tax distribution fund.

13.14 **EFFECTIVE DATE.** This section is effective the day following final enactment
 13.15 and applies for gross receipts on or after October 1, 2015, except that: (1) for gross
 13.16 receipts from October 1, 2015, to September 30, 2016, the tax rate under subdivision 3 is
 13.17 five cents per gallon and per gallon equivalent; and (2) for gross receipts from October
 13.18 1, 2016, to September 30, 2017, the tax rate under subdivision 3 is 7.5 cents per gallon
 13.19 and per gallon equivalent.

13.20 Sec. 4. Minnesota Statutes 2014, section 296A.11, is amended to read:

13.21 **296A.11 SELLER MAY COLLECT TAX.**

13.22 A person who directly or indirectly pays a gasoline or special fuel ~~tax~~ taxes as
 13.23 provided in this chapter and who does not in fact use the gasoline or special fuel in motor
 13.24 vehicles in this state or receive, store, or withdraw it from storage to be used personally
 13.25 for the purpose of producing or generating power for propelling aircraft, but sells or
 13.26 otherwise disposes of the same, except as provided in section 296A.16, subdivision 3, is
 13.27 hereby authorized to collect, from the person to whom the gasoline or special fuel is so
 13.28 sold or disposed of, the tax so paid, and is hereby required, upon request, to make, sign,
 13.29 and deliver to such person an invoice of such sale or disposition. The sums collected must
 13.30 be held as a special fund in trust for the state of Minnesota.

13.31 Sec. 5. Minnesota Statutes 2014, section 296A.12, is amended to read:

13.32 **296A.12 GASOLINE AND SPECIAL FUEL ~~TAX~~ TAXES IN LIEU OF**
 13.33 **OTHER TAXES.**

14.1 Gasoline and special fuel ~~excise taxes~~ under this chapter shall be in lieu of all other
 14.2 taxes imposed upon the business of selling or dealing in gasoline or special fuel, whether
 14.3 imposed by the state or by any of its political subdivisions, but are in addition to all ad
 14.4 valorem taxes now imposed by law. Nothing in this chapter is construed as prohibiting
 14.5 the governing body of any city of this state from licensing and regulating ~~such a~~ a business
 14.6 where its authority is conferred by state law or city charter.

14.7 Sec. 6. Minnesota Statutes 2014, section 296A.16, is amended to read:

14.8 **296A.16 REFUND OR CREDIT.**

14.9 Subdivision 1. **Credit or refund of gasoline or special fuel tax paid.** The
 14.10 commissioner shall allow the distributor credit or refund of the ~~tax~~ taxes under this
 14.11 chapter, including on gross receipts, paid on gasoline and special fuel:

14.12 (1) exported or sold for export from the state, other than in the supply tank of a
 14.13 motor vehicle or of an aircraft;

14.14 (2) sold to the United States government to be used exclusively in performing its
 14.15 governmental functions and activities or to any "cost plus a fixed fee" contractor employed
 14.16 by the United States government on any national defense project;

14.17 (3) if the fuel is placed in a tank used exclusively for residential heating;

14.18 (4) destroyed by accident while in the possession of the distributor;

14.19 (5) in error;

14.20 (6) in the case of gasoline only, sold for storage in an on-farm bulk storage tank, if
 14.21 the tax was not collected on the sale; and

14.22 (7) in such other cases as the commissioner may permit, consistent with the provisions
 14.23 of this chapter and other laws relating to the gasoline and special fuel excise taxes.

14.24 Subd. 2. **Fuel used in other vehicle; claim for refund.** (a) Any person who buys
 14.25 and uses gasoline for a qualifying purpose other than use in motor vehicles, snowmobiles
 14.26 except as provided in clause (2), or motorboats, or special fuel for a qualifying purpose
 14.27 other than use in licensed motor vehicles, and who paid ~~the a~~ a tax under this chapter,
 14.28 including on gross receipts, directly or indirectly through the amount of the tax being
 14.29 included in the price of the gasoline or special fuel, or otherwise, shall be reimbursed and
 14.30 repaid the amount of the tax paid upon filing with the commissioner a claim for refund in
 14.31 the form and manner prescribed by the commissioner, and containing the information the
 14.32 commissioner shall require. By signing any such claim which is false or fraudulent, the
 14.33 applicant shall be subject to the penalties provided in this chapter for knowingly making a
 14.34 false claim. The claim shall set forth the total amount of the gasoline so purchased and
 14.35 used by the applicant other than in motor vehicles, or special fuel purchased and used by

15.1 the applicant other than in licensed motor vehicles, and shall state when and for what
 15.2 purpose it was used. When a claim contains an error in computation or preparation, the
 15.3 commissioner is authorized to adjust the claim in accordance with the evidence shown
 15.4 on the claim or other information available to the commissioner. The commissioner, on
 15.5 being satisfied that the claimant is entitled to the payments, shall approve the claim and
 15.6 transmit it to the commissioner of management and budget.

15.7 (b) The words "gasoline" or "special fuel" as used in this subdivision do not include
 15.8 aviation gasoline or special fuel for aircraft.

15.9 (c) Gasoline or special fuel bought and used for a "qualifying purpose" means:

15.10 (1) Gasoline or special fuel used in carrying on a trade or business, used on a farm
 15.11 situated in Minnesota, and used for a farming purpose. "Farm" and "farming purpose"
 15.12 have the meanings given them in section 6420(c)(2), (3), and (4) of the Internal Revenue
 15.13 Code as defined in section 289A.02, subdivision 7.

15.14 (2) Gasoline or special fuel used for off-highway business use.

15.15 (i) "Off-highway business use" means any use off the public highway by a person in
 15.16 that person's trade, business, or activity for the production of income.

15.17 (ii) Off-highway business use includes use of a passenger snowmobile off the public
 15.18 highways as part of the operations of a resort as defined in section 157.15, subdivision 11;
 15.19 and use of gasoline or special fuel to operate a power takeoff unit on a vehicle, but not
 15.20 including fuel consumed during idling time.

15.21 (iii) Off-highway business use does not include use as a fuel in a motor vehicle
 15.22 which, at the time of use, is registered or is required to be registered for highway use under
 15.23 the laws of any state or foreign country; or use of a licensed motor vehicle fuel tank in lieu
 15.24 of a separate storage tank for storing fuel to be used for a qualifying purpose, as defined in
 15.25 this section. Fuel purchased to be used for a qualifying purpose cannot be placed in the
 15.26 fuel tank of a licensed motor vehicle and must be stored in a separate supply tank.

15.27 (3) Gasoline or special fuel placed in the fuel tanks of new motor vehicles,
 15.28 manufactured in Minnesota, and shipped by interstate carrier to destinations in other
 15.29 states or foreign countries.

15.30 Subd. 3. **Destruction by accident; refund to dealer.** Notwithstanding the
 15.31 provisions of subdivision 1, the commissioner shall allow a dealer a refund of:

15.32 (1) the ~~tax~~ taxes under this chapter, including on gross receipts, paid by the
 15.33 distributor on gasoline, undyed diesel fuel, or undyed kerosene destroyed by accident
 15.34 while in the possession of the dealer; or

16.1 (2) the ~~tax~~ taxes under this chapter, including on gross receipts, paid by a distributor
16.2 or special fuels dealer on other special fuels destroyed by accident while in the possession
16.3 of the dealer.

16.4 Subd. 4. **Refrigerator units; refunds.** Notwithstanding the provisions of
16.5 subdivision 1, the commissioner shall allow a special fuel dealer a refund of the ~~tax~~
16.6 taxes paid, including the gross receipts tax, on fuel sold directly into a supply tank of a
16.7 refrigeration unit with a separate engine and used exclusively by that refrigeration unit. A
16.8 claim for refund may be filed as provided in this section.

16.9 Subd. 4a. **Undyed kerosene; refunds.** Notwithstanding subdivision 1, the
16.10 commissioner shall allow a refund of the ~~tax~~ taxes paid, including the gross receipts tax,
16.11 on undyed kerosene used exclusively for a purpose other than as fuel for a motor vehicle
16.12 using the streets and highways. To obtain a refund, the person making the sale to an end
16.13 user must meet the Internal Revenue Service requirements for sales from a blocked pump.
16.14 A claim for a refund may be filed as provided in this section.

16.15 Subd. 4b. **Racing gasoline; refunds.** Notwithstanding subdivision 1, the
16.16 commissioner shall allow a licensed distributor a refund of the ~~tax~~ taxes paid, including
16.17 the gross receipts tax, on leaded gasoline of 110 octane or more that does not meet ASTM
16.18 specification D4814 for gasoline and that is sold in bulk for use in nonregistered motor
16.19 vehicles. A claim for a refund may be filed as provided for in this section.

16.20 Subd. 5. **Qualifying service station credit.** Notwithstanding any other provision of
16.21 law to the contrary, the ~~tax~~ taxes imposed, including the gross receipts tax, on gasoline,
16.22 undyed diesel fuel, or undyed kerosene delivered to a qualified service station may not
16.23 exceed, or must be reduced to, a rate not more than three cents per gallon above the total
16.24 state tax rate imposed on such products sold by a service station in a contiguous state
16.25 located within the distance indicated in this subdivision. A distributor shall be allowed a
16.26 credit or refund for the amount of reduction computed in accordance with this subdivision.
16.27 For purposes of this subdivision, a "qualifying service station" means a service station
16.28 located within 7.5 miles, measured by the shortest route by public road, from a service
16.29 station selling like product in the contiguous state.

16.30 Subd. 7. **Civil penalty for filing false claim.** A person who violates section
16.31 296A.23, subdivision 1, shall forfeit the full amount of the claim. In addition, a person who
16.32 is convicted under section 296A.23 for filing a false statement or claim shall, in addition
16.33 to any criminal penalties imposed, be prohibited from filing with the commissioner any
16.34 claim for refund upon gasoline purchased within six months after such conviction.

17.1 Subd. 8. **Appropriation.** There is appropriated to the persons entitled to refund or
 17.2 credit under this section, from the fund or account in the state treasury to which the money
 17.3 was credited, an amount sufficient to make the credit or refund.

17.4 Sec. 7. Minnesota Statutes 2014, section 297A.992, subdivision 2, is amended to read:

17.5 Subd. 2. **Authorization; rates.** (a) Notwithstanding section 297A.99, subdivisions
 17.6 1, 2, and 3, or 477A.016, or any other law, the board of a county participating in a
 17.7 joint powers agreement as specified in this section shall impose by resolution (1) a
 17.8 transportation sales and use tax at a rate of ~~one-quarter~~ up to one-half of one percent on
 17.9 retail sales and uses taxable under this chapter, and (2) an excise tax of \$20 per motor
 17.10 vehicle, as defined in section 297B.01, subdivision 11, purchased or acquired from any
 17.11 person engaged in the business of selling motor vehicles at retail, occurring within the
 17.12 jurisdiction of the taxing authority. The taxes authorized are to fund transportation
 17.13 improvements as specified in this section, including debt service on obligations issued
 17.14 to finance such improvements pursuant to subdivision 7.

17.15 (b) The tax imposed under this section is not included in determining if the total tax
 17.16 on lodging in the city of Minneapolis exceeds the maximum allowed tax under Laws 1986,
 17.17 chapter 396, section 5, as amended by Laws 2001, First Special Session chapter 5, article
 17.18 12, section 87, or in determining a tax that may be imposed under any other limitations.

17.19 **EFFECTIVE DATE.** This section is effective for sales and purchases made after
 17.20 June 30, 2015, except that the imposition of a different tax rate under paragraph (a), clause
 17.21 (1), must be on the first day of the calendar quarter beginning at least 60 days after the
 17.22 date of final enactment. This section applies in the counties of Anoka, Carver, Dakota,
 17.23 Hennepin, Ramsey, Scott, and Washington.

17.24 Sec. 8. Minnesota Statutes 2014, section 297B.02, subdivision 1, is amended to read:

17.25 Subdivision 1. **Rate.** There is imposed an excise tax of ~~6.5~~ 6.875 percent on the
 17.26 purchase price of any motor vehicle purchased or acquired, either in or outside of the state
 17.27 of Minnesota, which is required to be registered under the laws of this state.

17.28 The excise tax is also imposed on the purchase price of motor vehicles purchased
 17.29 or acquired on Indian reservations when the tribal council has entered into a sales tax on
 17.30 motor vehicles refund agreement with the state of Minnesota.

17.31 **EFFECTIVE DATE.** This section is effective for sales and purchases made after
 17.32 June 30, 2015.

ARTICLE 5

OTHER TRANSPORTATION FINANCE AND POLICY

Section 1. [435.39] MUNICIPAL STREET IMPROVEMENT DISTRICTS.

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

(b) "Governing body" means the city council of a municipality.

(c) "Improvements" means construction, reconstruction, and facility upgrades involving: right-of-way acquisition; paving; curbs and gutters; bridges and culverts and their repair; milling; overlaying; drainage and storm sewers; excavation; base work; subgrade corrections; street lighting; traffic signals; signage; sidewalks; pavement markings; boulevard and easement restoration; impact mitigation; connection and reconnection of utilities; turn lanes; medians; street and alley returns; retaining walls; fences; lane additions; and fixed transit infrastructure, trails, or pathways. "Fixed transit infrastructure" does not include commuter rail rolling stock, light rail vehicles, or transitway buses; capital costs for park-and-ride facilities; feasibility studies, planning, alternative analyses, environmental studies, engineering, or construction of transitways; or operating assistance for transitways.

(d) "Maintenance" means striping, seal coating, crack sealing, pavement repair, sidewalk maintenance, signal maintenance, street light maintenance, and signage.

(e) "Municipal street" means a street, alley, or public way in which the municipality is the road authority with powers conferred by section 429.021.

(f) "Municipality" means a home rule charter or statutory city.

(g) "Street improvement district" means a geographic area designated by a municipality and located within the municipality within which street improvements and maintenance may be undertaken and financed under this section.

(h) "Unimproved parcel" means a parcel of land that abuts an unimproved municipal street and that is not served by municipal sewer or water utilities; or in the case of a parcel abutting an improved municipal street and served by municipal sewer or water utilities, the parcel contains a structure that has not previously been occupied.

Subd. 2. Authorization. A municipality may establish by ordinance municipal street improvement districts and may defray all or part of the total costs of municipal street improvements and maintenance by apportioning street improvement fees to all of the parcels located in the district. A street improvement district must not include any property already located in another street improvement district.

19.1 Subd. 3. **Uniformity.** (a) The total costs of municipal street improvements and
19.2 maintenance must be apportioned to all developed parcels or developed tracts of land
19.3 located in the established street improvement district on a uniform basis within each
19.4 classification of real estate. Apportionment must be made on the basis of one of the
19.5 following:

- 19.6 (1) estimated market value;
19.7 (2) tax capacity;
19.8 (3) front footage;
19.9 (4) land or building area; or
19.10 (5) some combination of clauses (1) to (4).

19.11 (b) Costs must not be apportioned in such a way that the cost borne by any
19.12 classification of property is more than twice the cost that would be borne by that
19.13 classification if costs were apportioned uniformly to all classifications of property under
19.14 the method selected in paragraph (a), clauses (1) to (5).

19.15 Subd. 4. **Adoption of plan.** Before establishing a municipal street improvement
19.16 district or authorizing a street improvement fee, a municipality must propose and adopt a
19.17 street improvement plan that identifies the location of the municipal street improvement
19.18 district and identifies and estimates the costs of the proposed improvements during the
19.19 proposed period of collection of municipal street improvement fees, which must be for a
19.20 period of at least five years but not more than 20 years. Notice of a public hearing on the
19.21 proposed plan must be given by mail to all affected landowners at least 30 days before
19.22 the hearing and posted for at least 30 days before the hearing. The governing body must
19.23 present the plan at the public hearing, and all affected landowners in attendance must have
19.24 the opportunity to comment before the governing body considers adoption of the plan.

19.25 Subd. 5. **Use of fees.** Revenues from street improvement fees must be placed in
19.26 a separate account and used only for projects located within the district and identified
19.27 in the municipal street improvement plan.

19.28 Subd. 6. **Collection; up to 20 years.** (a) An ordinance adopted under this section
19.29 must provide for billing and payment of the fee on a monthly, quarterly, or other basis
19.30 as directed by the governing body. The governing body may collect municipal street
19.31 improvement fees within a street improvement district for a maximum of 20 years.

19.32 (b) Fees that, as of October 15 of each year, have remained unpaid for at least 30
19.33 days may be certified to the county auditor for collection as a special assessment payable
19.34 in the following calendar year against the affected property.

19.35 Subd. 7. **Improvement fee.** A municipality may impose a municipal street
19.36 improvement fee by ordinance. The ordinance must not be voted on or adopted until after

20.1 public notice is provided and a public hearing is held in the same manner as provided in
20.2 subdivision 4.

20.3 Subd. 8. **Not exclusive means of financing improvements.** The use of the
20.4 municipal street improvement fee by a municipality does not restrict the municipality from
20.5 imposing other measures to pay the costs of local street improvements or maintenance,
20.6 except that a municipality must not impose special assessments for projects funded with
20.7 street improvement fees.

20.8 Subd. 9. **Undeveloped parcels; fees.** A municipality may not impose a street
20.9 improvement fee on any undeveloped parcel located within an established street
20.10 improvement district until at least three years after either the date of substantial completion
20.11 of the paving of the previous unimproved municipal street or the date which a previously
20.12 unoccupied structure is first occupied, whichever is later.

20.13 Subd. 10. **Exempt property.** A municipality must not impose a municipal street
20.14 improvement fee on property that is exempt from taxation under the provisions of the
20.15 Minnesota Constitution, article X, section 1.

20.16 **EFFECTIVE DATE.** This section is effective July 1, 2015, and expires on June
20.17 30, 2020, except as to municipal street improvement fees that were imposed before the
20.18 expiration date. Municipal street improvement fees imposed before the expiration date
20.19 continue until they expire by the terms of the original ordinance.

20.20 Sec. 2. **PUBLIC-PRIVATE PARTNERSHIP PILOT PROGRAM.**

20.21 Subdivision 1. **Public-private partnership initiatives.** (a) The commissioner
20.22 of transportation and the Metropolitan Council are authorized to consider and utilize
20.23 public-private partnership procurement methods for up to three pilot projects as provided
20.24 in this section. Utilization of public-private partnerships is a recognition of the importance
20.25 to the state of an efficient and safe transportation system, and the necessity of developing
20.26 alternative funding sources to supplement traditional sources of transportation revenues.
20.27 A public-private partnership initiative must take advantage of private sector efficiencies in
20.28 design and construction, along with expertise in finance and development, and provide a
20.29 better long-term value for the state than could be obtained through traditional procurement
20.30 methods.

20.31 (b) Notwithstanding Minnesota Statutes, section 160.845 or 160.98, or any other law
20.32 to the contrary, the commissioner or council may consider for use in the pilot program any
20.33 existing public-private partnership mechanism or any proposed mechanism that proves the
20.34 best available option for the state. Mechanisms the commissioner or council may consider
20.35 include, but are not limited to, toll facilities, BOT facilities, BTO facilities, user fees,

21.1 construction payments, joint development agreements, negotiated exactions, air rights
 21.2 development, street improvement districts, or tax increment financing districts for transit.
 21.3 For the purposes of this section, toll facilities, BOT facilities, and BTO facilities have the
 21.4 meanings given under Minnesota Statutes, section 160.84.

21.5 (c) As part of the pilot program, the commissioner and council are directed to form
 21.6 an independent advisory and oversight office, the Joint Program Office for Economic
 21.7 Development and Alternative Finance. The office shall consist of the commissioner of
 21.8 management and budget, the commissioner of employment and economic development,
 21.9 the commissioner of administration, the commissioner of transportation, the Metropolitan
 21.10 Council, and one representative each from the American Council of Engineering
 21.11 Companies - Minnesota chapter, the Central Minnesota Transportation Alliance, the
 21.12 Counties Transit Improvement Board, and the Minnesota County Engineers Association.
 21.13 In addition, the commissioner and Metropolitan Council shall invite the Federal Highway
 21.14 Administration and the Federal Transit Administration to participate in the office's
 21.15 activities. The office's duties shall include, but are not limited to, reviewing and approving
 21.16 projects proposed under this section, reviewing any contractual or financial agreements
 21.17 to ensure program requirements are met, and ensuring that any proposed or executed
 21.18 agreement serves the public interest.

21.19 Subd. 2. **Pilot program restrictions and project selection.** (a) The commissioner
 21.20 or council may receive or solicit and evaluate proposals to build, operate, and finance
 21.21 projects that are not inconsistent with the commissioner's most recent statewide
 21.22 transportation plan or the council's most recent transportation policy plan. If the
 21.23 department or council receives an unsolicited proposal, the department or council shall
 21.24 publish a notice in the State Register at least once a week for two weeks stating that the
 21.25 department or council has received the proposal and will accept, for 120 days after the
 21.26 initial date of publication, other proposals for the same project purpose. The private
 21.27 proposer must be selected on a competitive basis.

21.28 (b) When entering into a public-private partnership, the commissioner or
 21.29 Metropolitan Council may not enter into any noncompete agreement that inhibits the
 21.30 state's ability to address ongoing or future infrastructure needs.

21.31 (c) If the commissioner or council enters into a public-private partnership agreement
 21.32 that includes a temporary transfer of ownership or control of a road, bridge, or other
 21.33 infrastructure investment to the private entity, the agreement must include a provision
 21.34 requiring the return of the road, bridge, or other infrastructure investment to the state
 21.35 after a specified period of time.

22.1 (d) The commissioner and council may only consider new projects for a
 22.2 public-private partnership. The commissioner and council are prohibited from considering
 22.3 projects involving existing infrastructure for a public-private partnership, unless the
 22.4 proposed project adds capacity to the existing infrastructure.

22.5 Subd. 3. **Evaluation and selection of private entity and project.** (a) The
 22.6 commissioner and council shall contract with one or more consultants to assist in proposal
 22.7 evaluation. The consultant must possess expertise and experience in public-private
 22.8 partnership project evaluation methodology, such as value for money, costs of
 22.9 public-private partnership compared with costs of public project delivery, and cost-benefit
 22.10 analysis.

22.11 (b) When soliciting, evaluating, and selecting a private entity with which to enter
 22.12 into a public-private partnership and before selecting a project, the commissioner or
 22.13 council must consider:

22.14 (1) the ability of the proposed project to improve safety, reduce congestion, increase
 22.15 capacity, and promote economic growth;

22.16 (2) the proposed cost of and financial plan for the project;

22.17 (3) the general reputation, qualifications, industry experience, and financial capacity
 22.18 of the private entity;

22.19 (4) the project's proposed design, operation, and feasibility;

22.20 (5) length and extent of transportation and transit service disruption;

22.21 (6) comments from local citizens and affected jurisdictions;

22.22 (7) benefits to the public;

22.23 (8) the safety record of the private entity; and

22.24 (9) any other criteria the commissioner or council deems appropriate.

22.25 (c) The independent advisory and oversight office established under subdivision
 22.26 1, paragraph (c), shall review proposals evaluated by the commissioner or council to
 22.27 ensure the requirements of this section are being met. The independent advisory and
 22.28 oversight office shall first determine whether the project, as proposed, serves the public
 22.29 interest. In making this determination, the office must identify and consider advantages
 22.30 and disadvantages for various stakeholders, including taxpayers, workers, transportation
 22.31 and transit providers and operators, transportation and transit users, commercial vehicle
 22.32 operators, and the general public, including the impact on the state's economy. If the
 22.33 proposed project serves the public interest, the office must evaluate the proposals
 22.34 according to the criteria specified in this section.

22.35 Subd. 4. **Public-private agreement.** (a) A public-private agreement between the
 22.36 commissioner or the council and a private entity must, at a minimum, specify:

- 23.1 (1) the planning, acquisition, financing, development, design, construction,
23.2 reconstruction, replacement, improvement, maintenance, management, repair, leasing, or
23.3 operation of the project;
- 23.4 (2) the term of the public-private agreement;
- 23.5 (3) the type of property interest, if any, that the private entity will have in the project;
- 23.6 (4) a description of the actions the commissioner or council may take to ensure
23.7 proper maintenance of the project;
- 23.8 (5) whether user fees will be collected on the project and the basis by which the user
23.9 fees shall be determined and modified along with identification of the public agency that
23.10 will determine and modify fees;
- 23.11 (6) compliance with applicable federal, state, and local laws;
- 23.12 (7) grounds for termination of the public-private agreement by the commissioner
23.13 or council;
- 23.14 (8) adequate safeguards for the traveling public and residents of the state in the
23.15 event of default on the contract;
- 23.16 (9) financial protection for the state in the event of default; and
- 23.17 (10) procedures for amendment of the agreement.
- 23.18 (b) A public-private agreement between the commissioner or council and a private
23.19 entity may provide for:
- 23.20 (1) review and approval by the commissioner or council of the private entity's plans
23.21 for the development and operation of the project;
- 23.22 (2) inspection by the commissioner or council of construction and improvements
23.23 to the project;
- 23.24 (3) maintenance by the private entity of a liability insurance policy;
- 23.25 (4) filing of appropriate financial statements by the private entity on a periodic basis;
- 23.26 (5) filing of traffic reports by the private entity on a periodic basis;
- 23.27 (6) financing obligations of the commissioner or council and the private entity;
- 23.28 (7) apportionment of expenses between the commissioner or council and the private
23.29 entity;
- 23.30 (8) the rights and remedies available in the event of a default or delay;
- 23.31 (9) the rights and duties of the private entity, the commissioner or council, and other
23.32 state or local governmental entities with respect to the use of the project;
- 23.33 (10) the terms and conditions of indemnification of the private entity by the
23.34 commissioner or council;

24.1 (11) assignment, subcontracting, or other delegations of responsibilities of (i)
 24.2 the private entity, or (ii) the commissioner or council under agreement to third parties,
 24.3 including other private entities or state agencies;

24.4 (12) if applicable, sale or lease to the private entity of private property related to
 24.5 the project;

24.6 (13) traffic enforcement and other policing issues; and

24.7 (14) any other terms and conditions the commissioner or council deems appropriate.

24.8 (c) The independent advisory and oversight office established under subdivision
 24.9 1, paragraph (c), shall review any proposed contractual agreement prior to execution
 24.10 in order to ensure that the contract serves the public interest and the requirements of
 24.11 this section are met.

24.12 Subd. 5. **Funding from federal government.** (a) The commissioner or council may
 24.13 accept from the United States or any of its agencies funds that are available to the state
 24.14 for carrying out the pilot program, whether the funds are available by grant, loan, or
 24.15 other financial assistance.

24.16 (b) The commissioner or council may enter into agreements or other arrangements
 24.17 with the United States or any of its agencies as necessary for carrying out the pilot program.

24.18 (c) The commissioner or council shall seek to maximize project funding from
 24.19 nonstate sources and may combine federal, state, local, and private funds to finance a
 24.20 public-private partnership pilot project.

24.21 Subd. 6. **Reporting.** By August 1, 2016, and annually by August 1 thereafter, the
 24.22 commissioner and council shall submit to the chairs and ranking minority members of the
 24.23 house of representatives and senate committees having jurisdiction over transportation
 24.24 policy and finance a list of all agreements executed under the pilot program authority. The
 24.25 list must identify each agreement, the contracting entities, contract amount and duration,
 24.26 any repayment requirements, and provide an update on the project's progress. The list
 24.27 may be submitted electronically and is subject to Minnesota Statutes, section 3.195,
 24.28 subdivision 1.

24.29 **EFFECTIVE DATE.** This section is effective the day after an appropriation is
 24.30 effective to pay administrative expenses to create and operate the Joint Program Office
 24.31 for Economic Development and Alternative Finance, hire a consultant, and prepare
 24.32 required reports.

APPENDIX
Article locations in 15-3316

| | | |
|-----------|---|---------------|
| ARTICLE 1 | TRUNK HIGHWAY BONDS | Page.Ln 1.13 |
| ARTICLE 2 | DEDICATED FUNDS REALIGNMENT | Page.Ln 3.21 |
| ARTICLE 3 | SALES TAXES REALLOCATION | Page.Ln 7.1 |
| ARTICLE 4 | TRANSPORTATION-RELATED TAXES | Page.Ln 10.23 |
| ARTICLE 5 | OTHER TRANSPORTATION FINANCE AND POLICY | Page.Ln 18.1 |

APPENDIX
Repealed Minnesota Statutes: 15-3316

16A.60 COST TO COLLECT HIGHWAY TAXES TO GENERAL FUND.

The commissioner, when authorized from time to time by law, shall transfer money from the highway user tax distribution fund to the general fund. The transfer is to reimburse the general fund for the cost of collecting the taxes mentioned in the Constitution, article XIV.