

**SENATE
STATE OF MINNESOTA
EIGHTY-NINTH SESSION**

S.F. No. 87

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DATE	D-PG	OFFICIAL STATUS
01/12/2015	54	Introduction and first reading Referred to Transportation and Public Safety
01/15/2015	78	Author added Schmit
03/18/2015	972	Author stricken Schmit
03/19/2015	1053	Author added Reinert
03/25/2015		Comm report: To pass as amended and re-refer to Finance

A bill for an act

1.1 relating to transportation; capital investment; taxes; amending provisions
1.2 governing transportation finance; establishing gross receipts motor fuels tax;
1.3 amending vehicle registration tax and metropolitan area transit sales tax;
1.4 amending distribution of highway user fund and county state-aid funding;
1.5 authorizing sale and issuance of trunk highway bonds and general obligation
1.6 bonds; requiring a report; appropriating money; amending Minnesota Statutes
1.7 2014, sections 161.081, subdivision 1; 161.20, by adding a subdivision; 162.07,
1.8 subdivision 1a; 168.013, subdivisions 1a, 8; 168.31, by adding a subdivision;
1.9 174.42, by adding a subdivision; 222.50, subdivision 7; 296A.061; 296A.11;
1.10 296A.12; 296A.16; 297A.815, subdivision 3; 297A.992; 473.167; 473.915;
1.11 Laws 2014, chapter 312, article 11, section 33; proposing coding for new law in
1.12 Minnesota Statutes, chapters 161; 174; 296A; 297A; 435; repealing Minnesota
1.13 Statutes 2014, sections 161.081, subdivision 3; 297A.992, subdivision 3.

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

ARTICLE 1

TRUNK HIGHWAY

1.18 Section 1. **BOND APPROPRIATIONS.**

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

SUMMARY

1.27 Department of Transportation \$ 1,000,000,000

2.1	<u>Department of Management and Budget</u>	<u>1,000,000</u>
2.2	<u>TOTAL</u>	<u>\$ 1,001,000,000</u>

2.3 **APPROPRIATIONS**

2.4	Sec. 2. <u>DEPARTMENT OF</u>	
2.5	<u>TRANSPORTATION CORRIDORS OF</u>	
2.6	<u>COMMERCE</u>	<u>\$ 800,000,000</u>

2.7 (a) The appropriation in this section is
 2.8 to the commissioner of transportation for
 2.9 the corridors of commerce program under
 2.10 Minnesota Statutes, section 161.088, and is
 2.11 available in the amounts of \$200,000,000 in
 2.12 each fiscal year from 2016 to 2019.

2.13 (b) In any fiscal year covered by this
 2.14 appropriation, the commissioner may
 2.15 identify projects based on previous selection
 2.16 processes or may perform a new selection.

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

2.26	Sec. 3. <u>TRANSPORTATION ECONOMIC</u>	
2.27	<u>DEVELOPMENT PROGRAM</u>	<u>\$ 200,000,000</u>

2.28 (a) This appropriation is for the transportation
 2.29 economic development program under
 2.30 Minnesota Statutes, section 174.12, and is
 2.31 available in the amounts of \$50,000,000 in
 2.32 each fiscal year from 2016 to 2019.

2.33 (b) The appropriation in this section cancels
 2.34 as specified under Minnesota Statutes, section

3.1 16A.642, except that the commissioner of
 3.2 management and budget shall count the start
 3.3 of authorization for issuance of state bonds
 3.4 as the first day of the fiscal year during
 3.5 which the bonds are available to be issued as
 3.6 specified under paragraph (a), and not as the
 3.7 date of enactment of this section.

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

3.9 This appropriation is to the commissioner
 3.10 of management and budget for bond sale
 3.11 expenses under Minnesota Statutes, sections
 3.12 16A.641, subdivision 8; and 167.50,
 3.13 subdivision 4.

3.14 Sec. 5. **BOND SALE AUTHORIZATION.**

3.15 To provide the money appropriated in this article from the bond proceeds account in
 3.16 the trunk highway fund, the commissioner of management and budget shall sell and issue
 3.17 bonds of the state in an amount up to \$1,001,000,000 in the manner, upon the terms, and
 3.18 with the effect prescribed by Minnesota Statutes, sections 167.50 to 167.52, and by the
 3.19 Minnesota Constitution, article XIV, section 11, at the times and in the amounts requested
 3.20 by the commissioner of transportation. The proceeds of the bonds, except accrued interest
 3.21 and any premium received from the sale of the bonds, must be deposited in the bond
 3.22 proceeds account in the trunk highway fund.

3.23 Sec. 6. **EFFECTIVE DATE.**

3.24 This article is effective July 1, 2015.

3.25 **ARTICLE 2**

3.26 **CAPITAL IMPROVEMENTS**

3.27 Section 1. **CAPITAL IMPROVEMENT APPROPRIATIONS.**

3.28 The sums stated are appropriated from the bond proceeds fund, or another named
 3.29 fund, to the commissioner of transportation to be spent for public purposes, as described
 3.30 in this article. Appropriations of bond proceeds must be spent as authorized by the
 3.31 Minnesota Constitution, article XI, section 5, paragraph (a), to acquire and better public
 3.32 land and buildings and other public improvements of a capital nature, or as authorized

4.1 by the Minnesota Constitution, article XI, section 5, paragraphs (b) to (j), or article XIV.
 4.2 Unless otherwise specified, money appropriated in this act for a capital program or project
 4.3 may be used to pay state agency staff costs that are attributed directly to the capital
 4.4 program or project in accordance with accounting policies adopted by the commissioner
 4.5 of management and budget. Unless otherwise specified, the appropriations in this article
 4.6 are available until the project is completed or abandoned subject to Minnesota Statutes,
 4.7 section 16A.642. Unless otherwise specified in this article, money appropriated in this
 4.8 article for activities under Minnesota Statutes, sections 16B.307, 84.946, and 135A.046,
 4.9 should not be used for projects that can be financed within a reasonable time frame under
 4.10 Minnesota Statutes, section 16B.322 or 16C.144.

4.11	Sec. 2. <u>TOTAL APPROPRIATIONS</u>	<u>\$</u>	<u>\$</u>	
4.12	Sec. 3. <u>LOCAL BRIDGE REPLACEMENT</u>			
4.13	<u>AND REHABILITATION</u>	<u>\$</u>	<u>\$</u>	<u>300,000,000</u>

4.14 This appropriation is from the bond proceeds
 4.15 account in the state transportation fund
 4.16 to match federal money and to replace or
 4.17 rehabilitate local deficient bridges as provided
 4.18 in Minnesota Statutes, section 174.50. This
 4.19 appropriation is for the actual construction,
 4.20 reconstruction, and improvement of local
 4.21 bridges, including design-build contracts and
 4.22 consultant usage to support these activities.
 4.23 This includes the cost of actual payments to
 4.24 landowners for lands acquired for highway
 4.25 rights-of-way, payments to lessees, interest
 4.26 subsidies, and relocation expenses. The
 4.27 commissioner, in awarding grants under
 4.28 this appropriation may establish priorities
 4.29 according to the master bridge priority list,
 4.30 but must use a minimum of \$100,000,000
 4.31 of this appropriation for replacement or
 4.32 rehabilitation of bridges where the in-place
 4.33 structure is ineligible for federal funding but
 4.34 meets at least two of the three criteria under

5.1 the federal highway bridge replacement and
5.2 rehabilitation program.

5.3 **Sec. 4. LOCAL ROAD IMPROVEMENT**
5.4 **FUND GRANTS**

\$

\$

100,000,000

5.5 This appropriation is for: (1) construction and
5.6 reconstruction of local roads with statewide
5.7 or regional significance under Minnesota
5.8 Statutes, section 174.52, subdivision 4, with
5.9 priority given to projects that will expand the
5.10 state's ten-ton road system; and (2) grants to
5.11 counties to assist in paying the costs of rural
5.12 road safety capital improvement projects on
5.13 county state-aid highways under Minnesota
5.14 Statutes, section 174.52, subdivision 4a.

5.15 **Sec. 5. AT-GRADE RAIL CROSSING**
5.16 **IMPROVEMENTS**

\$

\$

5,000,000

5.17 This appropriation is for implementation of
5.18 safety improvements at highway-rail grade
5.19 crossings. The commissioner shall identify
5.20 highway-rail grade crossing locations and
5.21 improvements in consultation with railroads
5.22 and relevant road authorities.

5.23 This appropriation is not available until the
5.24 commissioner of management and budget
5.25 has determined that 50 percent of the total
5.26 cost of each project has been committed
5.27 to the project from the entity that owns
5.28 the railroad track, and the conditions of
5.29 Minnesota Statutes, section 16A.502, have
5.30 been satisfied.

5.31 **Sec. 6. RAIL GRADE SEPARATION**
5.32 **IMPROVEMENTS**

\$

\$

122,000,000

5.33 This appropriation is for the construction of
5.34 priority grade separation projects to improve

6.1 rail corridor safety, as identified in the report
 6.2 on grade crossings and rail safety for oil and
 6.3 other hazardous materials under Laws 2014,
 6.4 chapter 312, article 10, section 10.

6.5 This appropriation is not available until the
 6.6 commissioner of management and budget
 6.7 has determined that 50 percent of the total
 6.8 cost of each project has been committed
 6.9 to the project from the entity that owns
 6.10 the railroad track, and the conditions of
 6.11 Minnesota Statutes, section 16A.502, have
 6.12 been satisfied.

6.13 **Sec. 7. RAIL SERVICE IMPROVEMENT \$ \$ 10,000,000**

6.14 This appropriation is for the rail service
 6.15 improvement program to be spent for capital
 6.16 improvement purposes set forth in Minnesota
 6.17 Statutes, section 222.50, subdivision 7.

6.18 **Sec. 8. INTERCITY PASSENGER RAIL**
 6.19 **PROJECTS \$ \$ 10,000,000**

6.20 This appropriation is to implement capital
 6.21 improvements and betterments for intercity
 6.22 passenger rail projects as identified in the
 6.23 statewide freight and passenger rail plan
 6.24 under Minnesota Statutes, section 174.03,
 6.25 subdivision 1b, which are determined to be
 6.26 eligible for United States Department of
 6.27 Transportation funding. Notwithstanding
 6.28 any law to the contrary, a portion or phase
 6.29 of an intercity passenger rail project may
 6.30 be accomplished with one or more state
 6.31 appropriations, and an intercity passenger rail
 6.32 project need not be completed with any one
 6.33 appropriation. Capital improvements and
 6.34 betterments include preliminary engineering,

7.1 design, engineering, environmental analysis
 7.2 and mitigation, acquisition of land and
 7.3 right-of-way, and construction.

7.4 **Sec. 9. PORT DEVELOPMENT**
 7.5 **ASSISTANCE** **\$** **\$** **10,000,000**

7.6 This appropriation is for grants under
 7.7 Minnesota Statutes, chapter 457A. Any
 7.8 improvements made with the proceeds of
 7.9 these grants must be publicly owned.

7.10 **Sec. 10. AIRPORT DEVELOPMENT**
 7.11 **ASSISTANCE** **\$** **\$** **10,000,000**

7.12 This appropriation is for grants to airport
 7.13 authorities for state airport improvements
 7.14 to meet applicable system objectives as
 7.15 provided in the Minnesota State Aviation
 7.16 System Plan.

7.17 **Sec. 11. BOND SALE AUTHORIZATION.**

7.18 Subdivision 1. **State transportation fund bonds.** To provide the money
 7.19 appropriated in this article from the state transportation fund, the commissioner of
 7.20 management and budget shall sell and issue bonds of the state in an amount up to
 7.21 \$400,400,000 in the manner, upon the terms, and with the effect prescribed by Minnesota
 7.22 Statutes, sections 16A.631 to 16A.675, and by the Minnesota Constitution, article XI,
 7.23 sections 4 to 7. The proceeds of the bonds, except accrued interest and any premium
 7.24 received on the sale of the bonds, must be credited to a bond proceeds account in the
 7.25 state transportation fund.

7.26 Subd. 2. **Bond proceeds fund.** To provide the money appropriated in this article
 7.27 from the bond proceeds fund, the commissioner of management and budget shall sell and
 7.28 issue bonds of the state in an amount up to \$167,167,000 in the manner, upon the terms,
 7.29 and with the effect prescribed by Minnesota Statutes, sections 16A.631 to 16A.675, and
 7.30 by the Minnesota Constitution, article XI, sections 4 to 7.

7.31 **Sec. 12. EFFECTIVE DATE.**

7.32 Except where otherwise specified, this article is effective July 1, 2015.

8.1 **ARTICLE 3**8.2 **GROSS RECEIPTS TAX**

8.3 Section 1. Minnesota Statutes 2014, section 296A.061, is amended to read:

8.4 **296A.061 CANCELLATION OR NONRENEWAL OF LICENSES.**

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

8.7 (1) the license holder has not filed a petroleum tax return or report for at least one year;

8.8 (2) the license holder has not filed a gross receipts tax return for at least one year;

8.9 (3) the license holder has not reported any petroleum tax liability or gross receipts
8.10 tax liability on the license holder's returns or reports for at least one year; or

8.11 (3) (4) the license holder requests cancellation of the license.

8.12 **Sec. 2. [296A.085] MOTOR FUELS GROSS RECEIPTS TAX.**

8.13 Subdivision 1. **Imposition.** A tax is imposed on the wholesale business of selling
8.14 the means or substance used for propelling vehicles on the highways of this state. The tax
8.15 is imposed at the rate of 6.5 percent of gross receipts derived by a distributor from the first
8.16 sale at wholesale of gasoline, gasoline blended with ethanol, agricultural alcohol gasoline,
8.17 and special fuels within this state for use in motor vehicles.

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

8.21 Subd. 3. **Conversion of tax rate.** (a) Annually on or before August 1, the
8.22 commissioner shall determine the applicable gross receipts motor fuels tax rate per gallon.
8.23 The tax per gallon shall be the greater of either:

8.24 (1) ten cents; or

8.25 (2) 6.5 percent of the prior fiscal year's average wholesale gasoline price per
8.26 gallon in Minnesota for all grades by refiners, as published by the United States Energy
8.27 Information Administration and rounded to the nearest tenth of a cent per gallon.

8.28 (b) The announced rate is effective for a 12-month period consisting of the next
8.29 October 1 to September 30. The commissioner shall publish on the department's Web site
8.30 the total of the gross receipts tax and the excise tax.

8.31 Subd. 4. **Administrative provisions.** Except as otherwise provided in this chapter,
8.32 the relevant audit, assessment, refund, penalty, interest, enforcement, collection remedies,
8.33 appeal, and administrative provisions of chapter 289A apply to taxes imposed under
8.34 this section.

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

9.3 **EFFECTIVE DATE.** This section is effective October 1, 2015, and applies to
 9.4 gross receipts attributable to the described products and derived by a distribution on or
 9.5 after that day.

9.6 Sec. 3. Minnesota Statutes 2014, section 296A.11, is amended to read:

9.7 **296A.11 SELLER MAY COLLECT TAX.**

9.8 A person who directly or indirectly pays a gasoline or special fuel tax or motor fuels
 9.9 gross receipts tax as provided in this chapter and who does not in fact use the gasoline or
 9.10 special fuel in motor vehicles in this state or receive, store, or withdraw it from storage
 9.11 to be used personally for the purpose of producing or generating power for propelling
 9.12 aircraft, but sells or otherwise disposes of the same, except as provided in section 296A.16,
 9.13 subdivision 3, is hereby authorized to collect, from the person to whom the gasoline or
 9.14 special fuel is so sold or disposed of, the tax so paid, and is hereby required, upon request,
 9.15 to make, sign, and deliver to such person an invoice of such sale or disposition. The sums
 9.16 collected must be held as a special fund in trust for the state of Minnesota.

9.17 Sec. 4. Minnesota Statutes 2014, section 296A.12, is amended to read:

9.18 **296A.12 GASOLINE AND SPECIAL FUEL TAX AND MOTOR FUELS**
 9.19 **GROSS RECEIPTS TAX IN LIEU OF OTHER TAXES.**

9.20 Gasoline and special fuel excise taxes and motor fuels gross receipts tax shall be
 9.21 in lieu of all other taxes imposed upon the business of selling or dealing in gasoline or
 9.22 special fuel, whether imposed by the state or by any of its political subdivisions, but are in
 9.23 addition to all ad valorem taxes now imposed by law. Nothing in this chapter is construed
 9.24 as prohibiting the governing body of any city of this state from licensing and regulating
 9.25 ~~such~~ a business where its authority is conferred by state law or city charter.

9.26 Sec. 5. Minnesota Statutes 2014, section 296A.16, is amended to read:

9.27 **296A.16 REFUND OR CREDIT.**

9.28 Subdivision 1. **Credit or refund of gasoline or special fuel tax paid.** The
 9.29 commissioner shall allow the distributor credit or refund of the tax paid on gasoline and
 9.30 special fuel and of the motor fuels gross receipts tax attributed to fuel:

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

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

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

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

10.6 (5) in error;

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

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

10.11 Subd. 2. **Fuel used in other vehicle; claim for refund.** Any person who buys and
10.12 uses gasoline for a qualifying purpose other than use in motor vehicles, snowmobiles
10.13 except as provided in clause (2), or motorboats, or special fuel for a qualifying purpose
10.14 other than use in licensed motor vehicles, and who paid the excise or gross receipts tax
10.15 directly or indirectly through the amount of the tax being included in the price of the
10.16 gasoline or special fuel, or otherwise, shall be reimbursed and repaid the amount of the
10.17 tax paid upon filing with the commissioner a claim for refund in the form and manner
10.18 prescribed by the commissioner, and containing the information the commissioner shall
10.19 require. By signing any such claim which is false or fraudulent, the applicant shall be
10.20 subject to the penalties provided in this chapter for knowingly making a false claim.

10.21 The claim shall set forth the total amount of the gasoline so purchased and used by the
10.22 applicant other than in motor vehicles, or special fuel purchased and used by the applicant
10.23 other than in licensed motor vehicles, and shall state when and for what purpose it was
10.24 used. When a claim contains an error in computation or preparation, the commissioner
10.25 is authorized to adjust the claim in accordance with the evidence shown on the claim or
10.26 other information available to the commissioner. The commissioner, on being satisfied
10.27 that the claimant is entitled to the payments, shall approve the claim and transmit it to the
10.28 commissioner of management and budget. The words "gasoline" or "special fuel" as used
10.29 in this subdivision do not include aviation gasoline or special fuel for aircraft. Gasoline or
10.30 special fuel bought and used for a "qualifying purpose" means:

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

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

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

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

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

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

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

11.18 (1) the tax paid by the distributor on, or gross receipts from the sale of, gasoline,
11.19 undyed diesel fuel, or undyed kerosene destroyed by accident while in the possession of
11.20 the dealer; or

11.21 (2) the tax paid by a distributor or special fuels dealer on, or gross receipts from the
11.22 sale of, other special fuels destroyed by accident while in the possession of the dealer.

11.23 Subd. 4. **Refrigerator units; refunds.** Notwithstanding the provisions of
11.24 subdivision 1, the commissioner shall allow a special fuel dealer a refund of the tax paid
11.25 on, or gross receipts from the sale of, fuel sold directly into a supply tank of a refrigeration
11.26 unit with a separate engine and used exclusively by that refrigeration unit. A claim for
11.27 refund may be filed as provided in this section.

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

11.34 Subd. 4b. **Racing gasoline; refunds.** Notwithstanding subdivision 1, the
11.35 commissioner shall allow a licensed distributor a refund of the tax paid on, or gross
11.36 receipts from the sale of, leaded gasoline of 110 octane or more that does not meet ASTM

12.1 specification D4814 for gasoline and that is sold in bulk for use in nonregistered motor
12.2 vehicles. A claim for a refund may be filed as provided for in this section.

12.3 Subd. 5. **Qualifying service station credit.** Notwithstanding any other provision of
12.4 law to the contrary, the tax imposed on gasoline, undyed diesel fuel, or undyed kerosene,
12.5 together with the amount attributable to gross receipts tax on these fuels, delivered to a
12.6 qualified service station may not exceed, or must be reduced to, a rate not more than
12.7 three cents per gallon above the state tax rate imposed on such products sold by a service
12.8 station in a contiguous state located within the distance indicated in this subdivision. A
12.9 distributor shall be allowed a credit or refund for the amount of reduction computed in
12.10 accordance with this subdivision. For purposes of this subdivision, a "qualifying service
12.11 station" means a service station located within 7.5 miles, measured by the shortest route
12.12 by public road, from a service station selling like product in the contiguous state.

12.13 Subd. 7. **Civil penalty for filing false claim.** A person who violates section
12.14 296A.23, subdivision 1, shall forfeit the full amount of the claim. In addition, a person who
12.15 is convicted under section 296A.23 for filing a false statement or claim shall, in addition
12.16 to any criminal penalties imposed, be prohibited from filing with the commissioner any
12.17 claim for refund upon gasoline purchased within six months after such conviction.

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

12.21 Sec. 6. **REVISOR'S INSTRUCTION.**

12.22 In Minnesota Statutes, the revisor of statutes shall rename Minnesota Statutes,
12.23 chapter 296A, to be "Tax on Petroleum and Other Fuels; Gross Receipts Tax."

12.24 ARTICLE 4

12.25 VEHICLE REGISTRATION TAX

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

12.27 Subd. 1a. **Passenger automobile; hearse.** (a) On passenger automobiles as defined
12.28 in section 168.002, subdivision 24, and hearses, except as otherwise provided, the tax shall
12.29 be \$10 plus an additional tax equal to ~~1.25~~ 1.5 percent of the base value.

12.30 (b) Subject to the classification provisions herein, "base value" means the
12.31 manufacturer's suggested retail price of the vehicle including destination charge using list
12.32 price information published by the manufacturer or determined by the registrar if no
12.33 suggested retail price exists, and shall not include the cost of each accessory or item of
12.34 optional equipment separately added to the vehicle and the suggested retail price.

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

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

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

13.9	FROM	TO
13.10	\$ 0	\$ 199.99
13.11	\$ 200	\$ 399.99

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

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

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

13.26 (h) The annual additional tax must be computed upon a percentage of the base value
 13.27 as follows: during the first year of vehicle life, upon 100 percent of the base value; for the
 13.28 second year, 90 percent of such value; for the third year, 80 percent of such value; for the
 13.29 fourth year, 70 percent of such value; for the fifth year, 60 percent of such value; for the sixth
 13.30 year, 50 percent of such value; for the seventh year, 40 percent of such value; for the eighth
 13.31 year, 30 percent of such value; for the ninth year, 20 percent of such value; for the tenth
 13.32 year, ten percent of such value; for the 11th and each succeeding year, the sum of ~~\$25~~ \$30.

13.33 (i) In no event shall the annual additional tax be less than ~~\$25~~ \$30.

13.34 (j) For any vehicle previously registered in Minnesota, the annual additional tax
 13.35 due under this subdivision must not exceed the smallest amount of annual additional
 13.36 tax previously paid or due on the vehicle.

14.1 **EFFECTIVE DATE.** This section is effective the day following final enactment
 14.2 and applies to any annual additional tax for a registration period that begins on or after
 14.3 September 1, 2015.

14.4 **ARTICLE 5**

14.5 **METROPOLITAN AREA SALES TAX FOR TRANSIT**

14.6 Section 1. Minnesota Statutes 2014, section 297A.992, is amended to read:

14.7 **297A.992 METROPOLITAN TRANSPORTATION AREA TRANSIT SALES**
 14.8 **TAX; TAX, JOINT POWERS BOARD.**

14.9 Subdivision 1. **Definitions.** For purposes of this section, the following terms have
 14.10 the meanings given them:

14.11 (1) "~~metropolitan transportation area~~" means the counties ~~participating in the joint~~
 14.12 ~~powers agreement under subdivision 3;~~

14.13 (2) "~~eligible county~~" means the county of Anoka, Carver, Dakota, Hennepin,
 14.14 Ramsey, Scott, ~~or~~ and Washington;

14.15 (3) ~~(2)~~ "committee" means the Grant Evaluation and Ranking System (GEARS)
 14.16 Committee;

14.17 (4) "~~minimum guarantee county~~" means ~~any metropolitan county or eligible county~~
 14.18 ~~that is participating in the joint powers agreement under subdivision 3, whose proportion~~
 14.19 ~~of the annual sales tax revenue under this section collected within that county is less~~
 14.20 ~~than or equal to three percent; and~~

14.21 (3) "net transit sales tax proceeds" means the total proceeds from the sales and use
 14.22 taxes imposed under this section, less the deductions identified under subdivision 8; and

14.23 (5) ~~(4)~~ "population" means the population, as defined in section 477A.011,
 14.24 subdivision 3, estimated or established by July 15 of the year prior to the calendar year
 14.25 in which the representatives will serve on the Grant Evaluation and Ranking System
 14.26 Committee established under subdivision 5.

14.27 Subd. 2. **Authorization; rates.** (a) Notwithstanding section 297A.99, subdivisions
 14.28 1, 2, and 3, or 477A.016, or any other law, the board of a county participating in a
 14.29 joint powers agreement as specified in this section shall impose by resolution (1) a
 14.30 ~~transportation~~ transit sales and use tax at a rate of one-quarter of one percent on retail
 14.31 sales and uses taxable under this chapter, and (2) an excise tax of \$20 per motor vehicle,
 14.32 as defined in section 297B.01, subdivision 11, purchased or acquired from any person
 14.33 engaged in the business of selling motor vehicles at retail, occurring within the jurisdiction
 14.34 of the taxing authority. The taxes authorized are to fund transportation improvements as

15.1 specified in this section, including debt service on obligations issued to finance such
 15.2 improvements pursuant to subdivision 7.

15.3 (b) The tax imposed under this section is not included in determining if the total tax
 15.4 on lodging in the city of Minneapolis exceeds the maximum allowed tax under Laws 1986,
 15.5 chapter 396, section 5, as amended by Laws 2001, First Special Session chapter 5, article
 15.6 12, section 87, or in determining a tax that may be imposed under any other limitations.

15.7 Subd. 2a. **Additional tax; rates.** (a) A local sales tax is imposed in the metropolitan
 15.8 counties, as defined in section 473.121, subdivision 4. In order to maintain the same rate
 15.9 across the region, the tax is imposed in each county as follows:

15.10 (1) effective for sales and purchases made after June 30, 2015, a sales and use tax on
 15.11 retail sales and uses taxable under this chapter, at a rate equal to one percent minus the
 15.12 tax rate imposed by each county under subdivision 2; and

15.13 (2) effective for vehicles acquired after June 30, 2015, if not imposed by a county
 15.14 under subdivision 2, an excise tax of \$20 per motor vehicle, as defined in section 297B.01,
 15.15 subdivision 11, purchased or acquired from any person engaged in the business of selling
 15.16 motor vehicles at retail, occurring within the jurisdiction of the county.

15.17 (b) The taxes imposed under this subdivision are not included in determining if the
 15.18 total tax on lodging in the city of Minneapolis exceeds the maximum allowed tax under
 15.19 Laws 1986, chapter 396, section 5, as amended by Laws 2001, First Special Session
 15.20 chapter 5, article 12, section 87, and Laws 2012, chapter 299, article 3, section 3, or in
 15.21 determining a tax that may be imposed under any other limitations.

15.22 **Subd. 3. Joint powers agreement.** Before imposing the taxes authorized in
 15.23 subdivision 2, an eligible county must declare by resolution of its county board to be part
 15.24 of the metropolitan transportation area and must enter into a joint powers agreement. The
 15.25 joint powers agreement:

15.26 (1) must form a joint powers board, as specified in subdivision 4;

15.27 (2) must provide a process that allows any eligible county, by resolution of its county
 15.28 board, to join the joint powers board and impose the taxes authorized in subdivision 2;

15.29 (3) may provide for withdrawal of a participating county before final termination of
 15.30 the agreement; and

15.31 (4) may provide for a weighted voting system for joint powers board decisions.

15.32 **Subd. 3a. Joint powers agreement.** Each county in the metropolitan area shall
 15.33 enter into a joint powers agreement that conforms to the provisions of this section and
 15.34 that supersedes and revokes any previous joint powers agreement executed under this
 15.35 section. The joint powers agreement:

15.36 (1) must form a joint powers board, as specified in subdivision 4;

16.1 (2) may provide for a weighted voting system for joint powers board decisions;

16.2 (3) must not provide for withdrawal of a participating county before final termination
 16.3 of the agreement; and

16.4 (4) must be designed to carry out the provisions of this section.

16.5 Subd. 4. **Joint powers board.** (a) The joint powers board must consist of one
 16.6 or more commissioners of each county ~~that is~~ in the metropolitan ~~transportation~~ area,
 16.7 appointed by its county board, and the chair of the Metropolitan Council, ~~who~~ all of whom
 16.8 must have voting rights, subject to subdivision 3, clause (4). The joint powers board has
 16.9 the powers and duties provided in this section and section 471.59.

16.10 (b) The joint powers board may utilize no more than ~~three-fourths~~ one-half of one
 16.11 percent of the net transit sales tax proceeds ~~of the taxes imposed under this section~~ for
 16.12 ordinary administrative expenses incurred in carrying out the provisions of this section.
 16.13 Any additional administrative expenses must be paid by the participating counties.

16.14 (c) The joint powers board may establish a technical advisory group that is separate
 16.15 from the GEARS Committee. The group must consist of representatives of cities, counties,
 16.16 or public agencies, including the Metropolitan Council. The technical advisory group
 16.17 must be used solely for technical consultation purposes.

16.18 (d) The chair of the joint powers board must be a county commissioner who is
 16.19 elected by the board.

16.20 Subd. 5. **~~Grant application and awards; Grant Evaluation and Ranking System~~**
 16.21 **~~(GEARS) Committee process and general requirements.~~** (a) The joint powers board
 16.22 shall establish a grant application process and identify the amount of available funding
 16.23 for grant awards. Grant applications must be submitted in a form prescribed by the joint
 16.24 powers board. An applicant must provide, in addition to all other information required by
 16.25 the joint powers board, the estimated cost of the project, the amount of the grant sought,
 16.26 possible sources of funding in addition to the grant sought, and identification of any federal
 16.27 funds that will be utilized if the grant is awarded. A grant application seeking transit capital
 16.28 funding must identify the source of money necessary to operate the transit improvement.

16.29 (b) The joint powers board shall establish a timeline and procedures for the award of
 16.30 grants, and may award grants only to the state and political subdivisions. The board shall
 16.31 define objective criteria for the award of grants, which must include, but not be limited to,
 16.32 consistency with the most recent version of the transportation policy plan adopted by the
 16.33 Metropolitan Council under section 473.146. The joint powers board shall maximize the
 16.34 availability and use of federal funds in projects funded under this section.

16.35 (c) Grants must be funded by the proceeds of the taxes imposed under this section, or
 16.36 by bonds, notes, or other obligations issued by the joint powers board under subdivision 7.

17.1 Subd. 5a. Grant awards; Grant Evaluation and Ranking System (GEARS)

17.2 Committee. (a) The joint powers board shall establish a GEARS Committee, which
17.3 must consist of:

17.4 (1) one county commissioner from each county ~~that is in the metropolitan~~
17.5 ~~transportation~~ area, appointed by its county board;

17.6 (2) one elected city representative from each county ~~that is in the metropolitan~~
17.7 ~~transportation~~ area;

17.8 (3) one additional elected city representative from each county for every additional
17.9 400,000 in population, or fraction of 400,000, in the county that is above 400,000 in
17.10 population; and

17.11 (4) the chair of the Metropolitan Council Transportation Committee.

17.12 ~~(d)~~ (b) Each city representative must be elected at a meeting of cities in the
17.13 metropolitan ~~transportation~~ area, which must be convened for that purpose by the
17.14 Association of Metropolitan Municipalities.

17.15 ~~(e)~~ (c) The committee shall:

17.16 (1) evaluate grant applications following objective criteria established by the joint
17.17 powers board, ~~and must~~;

17.18 (2) provide to the joint powers board a selection list of transportation projects that
17.19 includes a priority ranking;

17.20 (3) annually evaluate and award grants to local units of government, including
17.21 park districts for construction and maintenance of regional bicycle, trail, and pedestrian
17.22 infrastructure, and for safe routes to school infrastructure; and

17.23 (4) annually evaluate and award grants to cities for planning activities related to
17.24 land use and transportation linkages, streetcar development, or bicycle and pedestrian
17.25 connections.

17.26 (d) Grants awarded by the committee under paragraph (c), clauses (3) and (4), are
17.27 not subject to approval by the board. Annually, the committee shall award grants under
17.28 those clauses in a total amount that equals ten percent of the net transit sales tax proceeds,
17.29 of which amount no more than ten percent may be used for planning activities.

17.30 (e) The committee may award a grant under paragraph (c), clause (3), only if the
17.31 project being funded is in compliance with:

17.32 (1) a regional nonmotorized transportation system plan developed by the
17.33 Metropolitan Council; or

17.34 (2) a municipal nonmotorized transportation plan, which must provide coordinated
17.35 development of transportation facilities located in adjacent communities, including
17.36 connections between facilities in each community.

18.1 Subd. 5b. Grant awards; consistency with transportation plans. (f) A grant
 18.2 award for a transit project located within the metropolitan area, as defined in section
 18.3 473.121, subdivision 2, may be funded only after the Metropolitan Council reviews the
 18.4 project for consistency with the transit portion of the Metropolitan Council policy plan
 18.5 and one of the following occurs:

- 18.6 (1) the Metropolitan Council finds the project to be consistent;
- 18.7 (2) the Metropolitan Council initially finds the project to be inconsistent, but after a
 18.8 good faith effort to resolve the inconsistency through negotiations with the joint powers
 18.9 board, agrees that the grant award may be funded; or
- 18.10 (3) the Metropolitan Council finds the project to be inconsistent, and submits the
 18.11 consistency issue for final determination to a panel, which determines the project to be
 18.12 consistent. The panel is composed of a member appointed by the chair of the Metropolitan
 18.13 Council, a member appointed by the joint powers board, and a member agreed upon by
 18.14 both the chair and the joint powers board.

18.15 ~~(g) Grants must be funded by the proceeds of the taxes imposed under this section,
 18.16 bonds, notes, or other obligations issued by the joint powers board under subdivision 7.~~

18.17 ~~(h) Notwithstanding the provisions of this section except subdivision 6a, of
 18.18 the revenue collected under this section, the joint powers board shall allocate to the
 18.19 Metropolitan Council, in fiscal years 2012 and 2013, an amount not less than 75 percent of
 18.20 the net cost of operations for those transitways that were receiving metropolitan sales tax
 18.21 funds through an operating grant agreement on June 30, 2011.~~

18.22 ~~(i) The Metropolitan Council shall expend any funds allocated under paragraph (h)
 18.23 for the operations of the specified transitways solely within those counties that are in the
 18.24 metropolitan transportation area.~~

18.25 ~~(j) Nothing in paragraph (h) or (i) prevents grant awards to the Metropolitan Council
 18.26 for capital and operating assistance for transitways and park-and-ride facilities.~~

18.27 **Subd. 6. Allocation of Grant awards; eligible uses.** (a) The board must allocate
 18.28 grant awards only for the following transit purposes:

18.29 (1) transitway development and operations, consisting of:

- 18.30 (i) capital improvements to transitways, including, but not limited to, commuter rail
 18.31 rolling stock, light rail vehicles, and transitway buses;
- 18.32 (ii) capital costs for park-and-ride facilities, as defined in section 174.256,
 18.33 subdivision 2;
- 18.34 (iii) feasibility studies, planning, alternatives analyses, environmental studies,
 18.35 engineering, property acquisition for transitway purposes, and construction of transitways,

19.1 as identified in the transportation policy plan most recently adopted by the Metropolitan
19.2 Council; and

19.3 (iv) operating assistance for transitways; and

19.4 (2) as specified under subdivision 5a.

19.5 (b) The joint powers board must annually award grants to each minimum guarantee
19.6 county in an amount no less than the amount of sales tax revenue collected within that
19.7 county as follows:

19.8 (1) to Scott County and Carver County, the amount of the net sales tax proceeds
19.9 generated by one-quarter of one percent collected in each county respectively for calendar
19.10 years 2015 to 2019;

19.11 (2) to the Metropolitan Council for development and construction of transitways,
19.12 including all corridors and locally preferred alternatives adopted into the Metropolitan
19.13 Council transportation policy plan;

19.14 (3) to each county in the metropolitan area, an amount that equals one-eighth of
19.15 the net transit sales tax proceeds, to be distributed to each county proportionally based
19.16 on the sales and use tax proceeds under this section generated in that county divided
19.17 by the total sales and use taxes generated in the metropolitan area. Grant awards under
19.18 this clause must be used by Hennepin County only for transit purposes, but by all other
19.19 counties for any transit purpose or any transportation purpose that has a nexus to transit
19.20 or transit-oriented development. Grant awards under this section are not subject to the
19.21 joint certification process;

19.22 (4) to transit authorities to establish, replace, or modify transit shelters to conform
19.23 with design specifications and maintenance requirements within the meaning of section
19.24 473.41; and

19.25 (5) to the Center for Transportation Studies, University of Minnesota, \$500,000
19.26 annually for research to improve accessibility, operational efficiency, and safety of transit
19.27 systems.

19.28 (c) No more than 1.25 percent of the total awards may be annually allocated for
19.29 planning, studies, design, construction, maintenance, and operation of pedestrian programs
19.30 and bicycle programs and pathways.

19.31 **Subd. 6a. Priority of fund uses.** The joint powers board shall allocate all revenues
19.32 from the taxes imposed under this section in conformance with the following priority order:

19.33 (1) payment of debt service necessary for the fiscal year on bonds or other
19.34 obligations issued prior to January 1, 2011, under subdivision 7; and

19.35 (2) as otherwise authorized under this section.

20.1 Subd. 7. **Bonds.** (a) The joint powers board or any county, acting under a joint
20.2 powers agreement as specified in this section, may, by resolution, authorize, issue, and sell
20.3 its bonds, notes, or other obligations for the purpose of funding grants under subdivision
20.4 6. The joint powers board or county may also, by resolution, issue bonds to refund the
20.5 bonds issued pursuant to this subdivision.

20.6 (b) The bonds of the joint powers board must be limited obligations, payable solely
20.7 from or secured by taxes levied under this section.

20.8 (c) The bonds of any county may be limited obligations, payable solely from or
20.9 secured by taxes levied under this section. A county may also pledge its full faith, credit,
20.10 and taxing power as additional security for the bonds.

20.11 (d) Bonds may be issued in one or more series and sold without an election. The bonds
20.12 shall be secured, bear the interest rate or rates or a variable rate, have the rank or priority,
20.13 be executed in the manner, be payable in the manner, mature, and be subject to the defaults,
20.14 redemptions, repurchases, tender options, or other terms, and shall be sold in such manner
20.15 as the joint powers board, the regional railroad authority, or the county may determine.

20.16 (e) The joint powers board or any regional railroad authority or any county may
20.17 enter into and perform all contracts deemed necessary or desirable by it to issue and secure
20.18 the bonds, including an indenture of trust with a trustee within or without the state.

20.19 (f) Except as otherwise provided in this subdivision, the bonds must be issued and
20.20 sold in the manner provided under chapter 475.

20.21 (g) The joint powers board or any regional railroad authority wholly within the
20.22 metropolitan transportation area also may authorize, issue, and sell its bonds, notes, or
20.23 other obligations for the purposes, and in accordance with the procedures, set forth in
20.24 section 398A.07 to fund grants as provided in subdivision 6. The bonds of any regional
20.25 railroad authority may be limited obligations, payable solely from or secured by taxes
20.26 levied under this section. A regional railroad authority may also pledge its taxing powers
20.27 as additional security for the bonds.

20.28 Subd. 8. **Allocation Remittance of revenues.** After the deductions allowed in
20.29 section 297A.99, subdivision 11, the commissioner of revenue shall remit the net proceeds
20.30 of the taxes imposed under this section on a monthly basis, as ~~directed by the joint powers~~
20.31 ~~board under this section~~ provided under section 297A.9925.

20.32 Subd. 9. **Administration, collection, enforcement.** Except as otherwise provided
20.33 in this section, the provisions of section 297A.99, subdivisions 4 and 6 to 12a, govern the
20.34 administration, collection, and enforcement of the tax authorized under this section.

20.35 Subd. 10. **Termination of local option taxes.** (a) The taxes imposed under section
20.36 ~~297A.99, subdivision 1,~~ subdivision 2 by a county that withdraws from the joint powers

21.1 agreement pursuant to subdivision 3, clause (3), shall terminate when the county has
 21.2 satisfied its portion, as defined in the joint powers agreement, of all outstanding bonds or
 21.3 obligations entered into while the county was a member of the agreement.

21.4 (b) If the joint powers agreement under subdivision 3 is terminated, the taxes
 21.5 imposed under ~~section 297A.99, subdivision 1,~~ subdivision 2 at the time of the agreement
 21.6 termination will terminate when all outstanding bonds or obligations are satisfied. The
 21.7 auditors of the counties in which the taxes are imposed shall see to the administration of
 21.8 this paragraph.

21.9 Subd. 11. **Report.** The joint powers board shall report annually by February 1 to the
 21.10 ~~house of representatives and senate~~ chairs and ranking minority members of the legislative
 21.11 committees having jurisdiction over transportation policy and finance concerning the:
 21.12 (1) board activities and actions; (2) bonds authorized or issued under subdivision 7; (3)
 21.13 revenues received; and (4) grants awarded.

21.14 Subd. 12. **Grant awards to Metropolitan Council.** Any grant award under this
 21.15 section made to the Metropolitan Council must supplement, and must not supplant,
 21.16 operating and capital assistance provided by the state.

21.17 **EFFECTIVE DATE.** This section is effective July 1, 2015, for sales and purchases
 21.18 made after June 30, 2015, except that the imposition of the tax under subdivision 2a shall
 21.19 be on the first day of the calendar quarter beginning at least 60 days after the date of final
 21.20 enactment. This section applies in the counties of Anoka, Carver, Dakota, Hennepin,
 21.21 Ramsey, Scott, and Washington.

21.22 Sec. 2. **[297A.9925] METROPOLITAN AREA TRANSIT SALES TAX;**
 21.23 **ALLOCATION OF FUNDS.**

21.24 Subdivision 1. Definitions. For purposes of this section, the following terms have
 21.25 the meanings given them:

21.26 (1) "board" means the joint powers board established under section 297A.992; and

21.27 (2) "net transit sales tax proceeds" has the meaning given in section 297A.992,

21.28 subdivision 1.

21.29 Subd. 2. **Allocation formula.** In the manner specified under subdivision 6, the net
 21.30 transit sales tax proceeds shall be allocated under subdivision 3 by the board and the
 21.31 Metropolitan Council for all of the following purposes:

21.32 (1) payment of debt service on bonds or other obligations;

21.33 (2) Metropolitan Council transit operations;

21.34 (3) 100 percent of the net operating subsidies for transitways and arterial bus rapid
 21.35 transit;

22.1 (4) grants awarded by the GEARS Committee under section 297A.992, subdivision
 22.2 5a;

22.3 (5) grants awarded by the joint powers board under section 297A.992, subdivision 6,
 22.4 paragraph (b), clause (3);

22.5 (6) expansion and operation of regular route and commuter bus service provided
 22.6 by metropolitan transit and suburban transit providers with expansion of service by an
 22.7 annual average rate of four percent;

22.8 (7) \$500,000 annually for a grant to the Center for Transportation Studies at the
 22.9 University of Minnesota; and

22.10 (8) the remaining revenues following the allocations under clauses (1) to (7), to the
 22.11 board, the council, or both, as specified in the joint certification under subdivision 3.

22.12 Subd. 3. **Joint certification.** (a) The board and the Metropolitan Council shall
 22.13 annually develop a joint certification as provided in this subdivision. The joint certification
 22.14 must include, at a minimum, allocations for the purposes stated in subdivision 2 and must
 22.15 be separately adopted by the board and by the council no later than August 31 of each year.

22.16 (b) By July 1, 2015, and by March 15 of each subsequent year, the commissioner of
 22.17 Minnesota management and budget shall provide to the board and council an estimate of
 22.18 the net transit sales tax proceeds for the subsequent calendar year.

22.19 (c) If, on October 1 in any year, the board and the Metropolitan Council have not
 22.20 reached agreement as to the contents of the joint certification, they shall submit the issue
 22.21 to a panel for dispute resolution. The panel shall be composed of a member appointed by
 22.22 the chair of the Metropolitan Council, a member appointed by the board, and a member
 22.23 agreed upon by both the chair and the board. The panel shall mediate discussion of areas
 22.24 of disagreement and shall issue advisory recommendations.

22.25 (d) If the commissioner does not receive a joint certification by December 1, the
 22.26 commissioner may not remit the proceeds identified under subdivision 2, clause (8),
 22.27 except as provided by a legislatively enacted appropriation.

22.28 (e) The joint certification must specify the use of sales tax proceeds and account for
 22.29 deposit of the remainder after allocations.

22.30 (f) A joint certification may not exceed the estimated net transit sales tax proceeds
 22.31 less the allocations required under subdivision 2, clauses (1) to (7).

22.32 (g) By December 15 annually, the board shall electronically submit a copy of any
 22.33 joint certification to the chairs and ranking minority members of the legislative committees
 22.34 with jurisdiction over transportation policy and finance.

22.35 Subd. 4. **Uses and priorities; Metropolitan Council.** The Metropolitan Council
 22.36 shall use funds remitted to the council under this section in the following priority order:

23.1 (1) continuation of bus and rail transit operations, including but not limited to
 23.2 operations of providers under section 473.388, and operations and maintenance of all
 23.3 transitways under revenue operations; and

23.4 (2) transit expansion in accordance with the transit portion of the council's policy
 23.5 transit plan, including but not limited to:

23.6 (i) expansion and upgrades of bus service and related amenities, including transit
 23.7 provided under section 473.388;

23.8 (ii) development of arterial bus rapid transit, transitways, and streetcar systems
 23.9 as appropriate; and

23.10 (iii) maintenance of affordable transit fares.

23.11 Subd. 5. **Uses and priorities; joint powers board.** The board shall use all funds
 23.12 remitted to the board under this section as provided in section 297A.992.

23.13 Subd. 6. **Remittance schedule.** (a) The commissioner of revenue shall remit the net
 23.14 transit sales tax proceeds on a monthly basis to a fiscal agent selected by the board and
 23.15 council. The fiscal agent shall maintain a council account, a board account, and an escrow
 23.16 account. Proceeds shall be deposited in order as follows:

23.17 (1) an amount equal to the net transit sales tax proceeds generated by one-quarter of
 23.18 one percent collected in Anoka, Dakota, Hennepin, Ramsey, and Washington Counties
 23.19 into the board account;

23.20 (2) an amount required under subdivisions 2, 3, and 7, into the board and council
 23.21 accounts; and

23.22 (3) the remainder into the escrow account.

23.23 (b) The rate of deposit for all or any portion of the proceeds into any account may
 23.24 be modified by mutual agreement of the parties to reflect bond covenants or cash flow
 23.25 needs. Proceeds deposited into the board and council accounts shall be transferred to the
 23.26 board and council, respectively, within five business days of receipt. Unless otherwise
 23.27 directed herein, money held in the escrow account is subject to the joint certification
 23.28 process under subdivision 3.

23.29 Subd. 7. **Transition.** (a) Notwithstanding subdivision 2, for the calendar year
 23.30 ending December 31, 2015, the board shall advance proceeds from the net transit sales
 23.31 tax imposed in section 297A.992, subdivision 2, for transit operations under chapter
 23.32 473 and for capital needs.

23.33 (b) The board account will be reimbursed from net sales tax proceeds in
 23.34 calendar year 2016.

23.35 **EFFECTIVE DATE.** This section is effective July 1, 2015, and applies in the
 23.36 counties of Anoka, Carver, Dakota, Hennepin, Ramsey, Scott, and Washington.

24.1 Sec. 3. **REPEALER.**24.2 Minnesota Statutes 2014, section 297A.992, subdivision 3, is repealed.24.3 **EFFECTIVE DATE.** This section is effective July 1, 2015.24.4 **ARTICLE 6**24.5 **OTHER TAXES**

24.6 Section 1. Minnesota Statutes 2014, section 161.081, subdivision 1, is amended to read:

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

24.10 (b) That apportionment is further distributed as follows:

24.11 (1) ~~30.5 percent to the town road account created in section 162.081;~~24.12 (2) ~~16 percent to the town bridge account, which is created in the state treasury~~ 56.5
24.13 percent to the county state-aid highway fund, consisting of: (i) 30.5 percent to the town
24.14 road account created in section 162.081; (ii) 16 percent to the town bridge account created
24.15 in the state treasury; and (iii) ten percent to the county municipal accounts for purposes
24.16 described in section 162.08; and24.17 (3) ~~53.5 percent to the flexible highway account created in subdivision 3~~ (2) 43.5
24.18 percent to the municipal state-aid street fund.24.19 **EFFECTIVE DATE.** This section is effective July 1, 2015.

24.20 Sec. 2. Minnesota Statutes 2014, section 162.07, subdivision 1a, is amended to read:

24.21 Subd. 1a. **Apportionment sum and excess sum.** (a) For purposes of this
24.22 subdivision, "distribution amount" means the amount identified in section 162.06,
24.23 subdivision 1, after the deductions provided for in section 162.06 for administrative costs,
24.24 disaster account, research account, and state park road account.24.25 (b) The apportionment sum is calculated by ~~subtracting the excess sum, as calculated~~
24.26 ~~in paragraph (e), from~~ as 68 percent of the distribution amount.24.27 (c) The excess sum is calculated as ~~the sum of revenue within~~ 32 percent of the
24.28 distribution amount;24.29 (1) ~~attributed to that portion of the gasoline excise tax rate under section 296A.07,~~
24.30 ~~subdivision 3, in excess of 20 cents per gallon, and to that portion of the excise tax rates~~
24.31 ~~in excess of the energy equivalent of a gasoline excise tax rate of 20 cents per gallon~~
24.32 ~~for E85 and M85 under section 296A.07, subdivision 3, and special fuel under section~~
24.33 ~~296A.08, subdivision 2;~~

25.1 ~~(2) attributed to a change in the passenger vehicle registration tax under section~~
 25.2 ~~168.013, imposed on or after July 1, 2008, that exceeds (i) the amount collected in fiscal~~
 25.3 ~~year 2008, multiplied by (ii) the annual average United States Consumer Price Index for~~
 25.4 ~~the calendar year previous to the current calendar year, divided by the annual average~~
 25.5 ~~United States Consumer Price Index for calendar year 2007; and~~

25.6 ~~(3) attributed to that portion of the motor vehicle sales tax revenue in excess of the~~
 25.7 ~~percentage allocated to the county state-aid highway fund in fiscal year 2007.~~

25.8 ~~(d) For purposes of this subdivision, the United States Consumer Price Index~~
 25.9 ~~identified in paragraph (c) is for all urban consumers, United States city average, as~~
 25.10 ~~determined by the United States Department of Labor.~~

25.11 **EFFECTIVE DATE.** This section is effective October 1, 2015.

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

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

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

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

25.22 (1) ~~\$9,000,000 annually until January 1, 2015, and 50 percent annually thereafter to~~
 25.23 ~~the county state-aid highway fund. Notwithstanding any other law to the contrary, the~~
 25.24 ~~commissioner of transportation shall allocate the funds transferred under this clause to the~~
 25.25 ~~counties in the metropolitan area, as defined in section 473.121, subdivision 4, excluding~~
 25.26 ~~the counties of Hennepin and Ramsey, so that each county shall receive of such amount~~
 25.27 ~~the percentage that its population, as defined in section 477A.011, subdivision 3, estimated~~
 25.28 ~~or established by July 15 of the year prior to the current calendar year, bears to the total~~
 25.29 ~~population of the counties receiving funds under this clause; and~~

25.30 (2) ~~the remainder 50 percent~~ to the greater Minnesota transit account.

25.31 **EFFECTIVE DATE.** This section is effective January 1, 2017.

25.32 Sec. 4. **GREATER MINNESOTA TRANSIT APPROPRIATION.**

26.1 \$16,000,000 is appropriated from the general fund to the commissioner of
26.2 transportation in each of fiscal years 2016 and 2017, for assistance to transit systems
26.3 outside the metropolitan area under Minnesota Statutes, section 174.24.

26.4 Sec. 5. **REPEALER.**

26.5 Minnesota Statutes 2014, section 161.081, subdivision 3, is repealed.

26.6 **EFFECTIVE DATE.** This section is effective July 1, 2015.

26.7 ARTICLE 7

26.8 EFFICIENCY MEASURES

26.9 Section 1. Minnesota Statutes 2014, section 161.20, is amended by adding a
26.10 subdivision to read:

26.11 Subd. 3a. **Transfer of appropriations.** With the approval of the commissioner of
26.12 management and budget, the commissioner of transportation may transfer unencumbered
26.13 balances among appropriations from the trunk highway fund and the state airports fund.
26.14 No transfer may be made from appropriations for state road construction, for operations
26.15 and maintenance, or for debt service. Transfers under this paragraph may not be made
26.16 between funds. Transfers under this paragraph must be reported immediately to the
26.17 chairs and ranking minority members of the legislative committees with jurisdiction
26.18 over transportation finance.

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

26.20 Sec. 2. **[161.225] LOANS FOR LAND ACQUISITION FOR HIGHWAY**
26.21 **PROJECTS.**

26.22 Subdivision 1. **Account established.** The state right-of-way acquisition loan
26.23 account is created in the trunk highway fund for the purposes specified in this section.
26.24 Money in the account is annually appropriated to the commissioner and does not lapse.
26.25 Interest from the investment of money in this account must be deposited in the state
26.26 right-of-way acquisition loan account.

26.27 Subd. 2. **Loans.** (a) The commissioner may make loans to counties, towns, and
26.28 statutory and home rule charter cities to purchase property within the right-of-way of
26.29 a state trunk highway shown on an official map adopted pursuant to section 394.361
26.30 or 462.359, or to purchase property within the proposed right-of-way of a principal or
26.31 intermediate arterial highway. The loans shall be made from the fund established under this
26.32 subdivision for purchases approved by the commissioner. The loans shall bear no interest.

27.1 (b) The commissioner shall make loans only to:

27.2 (1) accelerate the acquisition of primarily undeveloped property when there
27.3 is a reasonable probability that the property will increase in value before highway
27.4 construction, and to update an expired environmental impact statement on a project for
27.5 which the right-of-way is being purchased;

27.6 (2) avert the imminent conversion or the granting of approvals which would allow
27.7 the conversion of property to uses which would jeopardize its availability for highway
27.8 construction;

27.9 (3) advance planning and environmental activities on highest priority major
27.10 metropolitan river crossing projects under the transportation development guide chapter
27.11 policy plan; or

27.12 (4) take advantage of open market opportunities when developed properties become
27.13 available for sale, provided all parties involved are agreeable to the sale and funds are
27.14 available.

27.15 (c) The commissioner shall not make loans to purchase property at a price which
27.16 exceeds the fair market value of the property or which includes the costs of relocating or
27.17 moving persons or property. The eminent domain process may be used to settle differences
27.18 of opinion as to fair market value, provided all parties agree to the process.

27.19 (d) A private property owner may elect to receive the purchase price either
27.20 in a lump sum or in not more than four annual installments without interest on the
27.21 deferred installments. If the purchase agreement provides for installment payments,
27.22 the commissioner shall make the loan in installments corresponding to those in the
27.23 purchase agreement. The recipient of an acquisition loan shall convey the property for the
27.24 construction of the highway at the same price which the recipient paid for the property. The
27.25 price may include the costs of preparing environmental documents that were required for
27.26 the acquisition and that were paid for with money that the recipient received from the loan
27.27 fund. Upon notification by the commissioner that the plan to construct the highway has been
27.28 abandoned or the anticipated location of the highway has changed, the recipient shall sell
27.29 the property at market value in accordance with the procedures required for the disposition
27.30 of the property. All rents and other money received because of the recipient's ownership
27.31 of the property and all proceeds from the conveyance or sale of the property shall be paid
27.32 to the commissioner. If a recipient is not permitted to include in the conveyance price the
27.33 cost of preparing environmental documents that were required for the acquisition, then the
27.34 recipient is not required to repay the commissioner an amount equal to 40 percent of the
27.35 money received from the loan fund and spent in preparing the environmental documents.

28.1 (e) For administration of the loan program, the commissioner may expend from the
28.2 fund each year an amount no greater than three percent of the amount of the proceeds for
28.3 that year.

28.4 Subd. 3. **Loans for acquisition and relocation.** (a) The commissioner may
28.5 make loans to acquiring authorities within the metropolitan area to purchase homestead
28.6 property located in a proposed state trunk highway right-of-way or project, and to provide
28.7 relocation assistance. Acquiring authorities are authorized to accept the loans and to
28.8 acquire the property. Except as provided in this subdivision, the loans shall be made as
28.9 provided in subdivision 2. Loans shall be in the amount of the fair market value of the
28.10 homestead property plus relocation costs and less salvage value. Before construction of
28.11 the highway begins, the acquiring authority shall convey the property to the commissioner
28.12 at the same price it paid, plus relocation costs and less its salvage value. Acquisition and
28.13 assistance under this subdivision must conform to sections 117.50 to 117.56.

28.14 (b) The commissioner may make loans only when:

28.15 (1) the owner of affected homestead property requests acquisition and relocation
28.16 assistance from an acquiring authority;

28.17 (2) federal or state financial participation is not available;

28.18 (3) the owner is unable to sell the homestead property at its appraised market value
28.19 because the property is located in a proposed state trunk highway right-of-way or project as
28.20 indicated on an official map or plat adopted under section 160.085, 394.361, or 462.359; and

28.21 (4) the commissioner agrees to and approves the fair market value of the homestead
28.22 property, which approval shall not be unreasonably withheld.

28.23 (c) For purposes of this subdivision, the following terms have the meanings given
28.24 them:

28.25 (1) "acquiring authority" means counties, towns, and statutory and home rule
28.26 charter cities;

28.27 (2) "homestead property" means: (i) a single-family dwelling occupied by the
28.28 owner, and the surrounding land, not exceeding a total of ten acres; or (ii) a manufactured
28.29 home, as defined in section 327B.01, subdivision 13; and

28.30 (3) "salvage value" means the probable sale price of the dwelling and other property
28.31 that is severable from the land if offered for sale on the condition that it be removed from
28.32 the land at the buyer's expense, allowing a reasonable time to find a buyer with knowledge
28.33 of the possible uses of the property, including separate use of serviceable components and
28.34 scrap when there is no other reasonable prospect of sale.

28.35 **EFFECTIVE DATE.** This section is effective January 1, 2016.

29.1 Sec. 3. Minnesota Statutes 2014, section 168.013, subdivision 8, is amended to read:

29.2 Subd. 8. **Tax proceeds to highway user fund; fee proceeds to vehicle services**
29.3 **account.** (a) Unless otherwise specified in this chapter, the net proceeds of the registration
29.4 tax imposed under this chapter, including the penalty surcharge for late payment, imposed
29.5 in section 168.31, subdivision 1a, must be collected by the commissioner, paid into the
29.6 state treasury, and credited to the highway user tax distribution fund.

29.7 (b) All fees collected under this chapter, unless otherwise specified, must be
29.8 deposited in the vehicle services operating account in the special revenue fund under
29.9 section 299A.705.

29.10 **EFFECTIVE DATE.** This section is effective July 1, 2015, and applies to vehicle
29.11 registration taxes due and unpaid on and after that date.

29.12 Sec. 4. Minnesota Statutes 2014, section 168.31, is amended by adding a subdivision
29.13 to read:

29.14 Subd. 1a. **Penalty surcharge for late payment.** Except as otherwise provided in
29.15 subdivisions 4 and 4a, a vehicle owner who has failed to pay the tax required under this
29.16 chapter on or before the due date shall pay in full the tax due on the vehicle, together with
29.17 a penalty surcharge of \$25 for each month or portion of a month following the expiration
29.18 of the registration period, except that the amount of the late fee may not exceed \$100.

29.19 **EFFECTIVE DATE.** This section is effective July 1, 2015, and applies to vehicle
29.20 registration taxes due and unpaid on and after that date.

29.21 Sec. 5. **[174.53] FEDERAL FUND FLEXIBILITY PROGRAM.**

29.22 The commissioner shall establish a program to allow greater flexibility and
29.23 efficiency in the allocation of federal funds for state-aid transportation projects. The
29.24 commissioner shall:

29.25 (1) establish and administer selection criteria and a process under which a local unit
29.26 of government that would otherwise receive federal funds for a local transportation project
29.27 would be able to finance the project with state funds instead of federal funds;

29.28 (2) redirect the unused federal funds to transportation projects for which federal
29.29 funds could be utilized by the state more efficiently and productively;

29.30 (3) achieve a reasonable degree of equity among the department districts in
29.31 distributing funds under the program; and

29.32 (4) ensure that the state's receipt of federal funds for transportation projects is not
29.33 jeopardized by the program.

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

30.2 **Sec. 6. [435.39] MUNICIPAL STREET IMPROVEMENT DISTRICTS.**

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

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

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

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

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

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

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

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

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

30.34 Subd. 3. **Uniformity.** (a) The total costs of municipal street improvements and
30.35 maintenance must be apportioned to all developed parcels or developed tracts of land

31.1 located in the established street improvement district on a uniform basis within each
31.2 classification of real estate. Apportionment must be made on the basis of one of the
31.3 following:

- 31.4 (1) estimated market value;
31.5 (2) tax capacity;
31.6 (3) front footage;
31.7 (4) land or building area; or
31.8 (5) some combination of clauses (1) to (4).

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

31.13 Subd. 4. **Adoption of plan.** Before establishing a municipal street improvement
31.14 district or authorizing a street improvement fee, a municipality must propose and adopt a
31.15 street improvement plan that identifies the location of the municipal street improvement
31.16 district and identifies and estimates the costs of the proposed improvements during the
31.17 proposed period of collection of municipal street improvement fees, which must be for
31.18 a period of at least five years and at most 20 years. Notice of a public hearing on the
31.19 proposed plan must be given by mail to all affected landowners at least 30 days before
31.20 the hearing and posted for at least 30 days before the hearing. At the public hearing, the
31.21 governing body must present the plan and all affected landowners in attendance must have
31.22 the opportunity to comment before the governing body considers adoption of the plan.

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

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

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

31.33 Subd. 7. **Improvement fee.** A municipality may impose a municipal street
31.34 improvement fee by ordinance. The ordinance must not be voted on or adopted until after
31.35 public notice is provided and a public hearing is held in the same manner as provided in
31.36 subdivision 4.

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

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

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

32.14 **EFFECTIVE DATE.** This section is effective July 1, 2015, and expires on June
 32.15 30, 2020, except as to municipal street improvement fees that were imposed before the
 32.16 expiration date. Municipal street improvement fees imposed before the expiration date
 32.17 continue until they expire by the terms of the original ordinance.

32.18 Sec. 7. Minnesota Statutes 2014, section 473.167, is amended to read:

32.19 **473.167 HIGHWAY AND TRANSIT PROJECTS.**

32.20 Subd. 2. **Loans for acquisition.** (a) The council may make loans to counties, towns,
 32.21 and statutory and home rule charter cities within the metropolitan area for the purchase of
 32.22 property within the right-of-way of a state trunk highway shown on an official map adopted
 32.23 pursuant to section 394.361 or 462.359 ~~or~~ for the purchase of property within the proposed
 32.24 right-of-way of a principal or intermediate arterial highway designated by the council as a
 32.25 part of the metropolitan highway system plan and approved by the council pursuant to
 32.26 section 473.166, or for the purchase of property needed for proposed transit-related capital
 32.27 improvements, including transitways designated in the council's most recent transportation
 32.28 policy plan. The loans shall be made by the council, from the fund established pursuant to
 32.29 this subdivision, for purchases approved by the council. The loans shall bear no interest.

32.30 (b) The council shall make loans only:

32.31 (1) to accelerate the acquisition of primarily undeveloped property when there
 32.32 is a reasonable probability that the property will increase in value before highway or
 32.33 transit-related construction, and to update an expired environmental impact statement on
 32.34 a project for which the right-of-way is being purchased;

33.1 (2) to avert the imminent conversion or the granting of approvals which would allow
33.2 the conversion of property to uses which would jeopardize its availability for highway or
33.3 transit-related construction;

33.4 (3) to advance planning and environmental activities on highest priority major
33.5 metropolitan river crossing projects, under the transportation development guide
33.6 chapter/policy plan; or

33.7 (4) to take advantage of open market opportunities when developed properties
33.8 become available for sale, provided all parties involved are agreeable to the sale and
33.9 funds are available.

33.10 (c) The council shall not make loans for the purchase of property at a price which
33.11 exceeds the fair market value of the property or which includes the costs of relocating or
33.12 moving persons or property. The eminent domain process may be used to settle differences
33.13 of opinion as to fair market value, provided all parties agree to the process.

33.14 (d) A private property owner may elect to receive the purchase price either in a
33.15 lump sum or in not more than four annual installments without interest on the deferred
33.16 installments. If the purchase agreement provides for installment payments, the council
33.17 shall make the loan in installments corresponding to those in the purchase agreement. The
33.18 recipient of an acquisition loan shall convey the property for the construction of the highway
33.19 at the same price which the recipient paid for the property. The price may include the costs
33.20 of preparing environmental documents that were required for the acquisition and that were
33.21 paid for with money that the recipient received from the loan fund. Upon notification by
33.22 the council that the plan to construct the highway or transit project has been abandoned or
33.23 the anticipated location of the highway or transit project changed, the recipient shall sell
33.24 the property at market value in accordance with the procedures required for the disposition
33.25 of the property. All rents and other money received because of the recipient's ownership
33.26 of the property and all proceeds from the conveyance or sale of the property shall be paid
33.27 to the council. If a recipient is not permitted to include in the conveyance price the cost
33.28 of preparing environmental documents that were required for the acquisition, then the
33.29 recipient is not required to repay the council an amount equal to 40 percent of the money
33.30 received from the loan fund and spent in preparing the environmental documents.

33.31 (e) The proceeds of the tax authorized by subdivision 3, all money paid to the
33.32 council by recipients of loans, and all interest on the proceeds and payments shall be
33.33 maintained as a separate fund. For administration of the loan program, the council may
33.34 expend from the fund each year an amount no greater than three percent of the amount of
33.35 the proceeds for that year.

34.1 Subd. 2a. **Loans for acquisition and relocation.** (a) The council may make loans
34.2 to acquiring authorities within the metropolitan area to purchase homestead property
34.3 located in a proposed state trunk highway right-of-way or project or transit-related project,
34.4 and to provide relocation assistance. Acquiring authorities are authorized to accept the
34.5 loans and to acquire the property. Except as provided in this subdivision, the loans shall
34.6 be made as provided in subdivision 2. Loans shall be in the amount of the fair market
34.7 value of the homestead property plus relocation costs and less salvage value. Before
34.8 construction of the highway or transit-related project begins, the acquiring authority shall
34.9 convey the property to the commissioner of transportation or council at the same price it
34.10 paid, plus relocation costs and less its salvage value. Acquisition and assistance under this
34.11 subdivision must conform to sections 117.50 to 117.56.

34.12 (b) The council may make loans only when:

34.13 (1) the owner of affected homestead property requests acquisition and relocation
34.14 assistance from an acquiring authority;

34.15 (2) federal or state financial participation is not available;

34.16 (3) the owner is unable to sell the homestead property at its appraised market
34.17 value because the property is located in a proposed state trunk highway right-of-way or
34.18 project as indicated on an official map or plat adopted under section 160.085, 394.361,
34.19 or 462.359, or transit-related project; and

34.20 (4) the council agrees to and approves the fair market value of the homestead
34.21 property, which approval shall not be unreasonably withheld.

34.22 (c) For purposes of this subdivision, the following terms have the meanings given
34.23 them.

34.24 (1) "Acquiring authority" means counties, towns, and statutory and home rule
34.25 charter cities in the metropolitan area.

34.26 (2) "Homestead property" means: (i) a single-family dwelling occupied by the
34.27 owner, and the surrounding land, not exceeding a total of ten acres; or (ii) a manufactured
34.28 home, as defined in section 327B.01, subdivision 13.

34.29 (3) "Salvage value" means the probable sale price of the dwelling and other property
34.30 that is severable from the land if offered for sale on the condition that it be removed from
34.31 the land at the buyer's expense, allowing a reasonable time to find a buyer with knowledge
34.32 of the possible uses of the property, including separate use of serviceable components and
34.33 scrap when there is no other reasonable prospect of sale.

34.34 Subd. 3. **Tax.** The council may levy a tax on all taxable property in the metropolitan
34.35 area, as defined in section 473.121, to provide funds for loans made pursuant to
34.36 subdivisions 2 and 2a. This tax for the right-of-way acquisition loan fund shall be certified

35.1 by the council, levied, and collected in the manner provided by section 473.13. The tax
 35.2 shall be in addition to that authorized by section 473.249 and any other law and shall not
 35.3 affect the amount or rate of taxes which may be levied by the council or any metropolitan
 35.4 agency or local governmental unit. The amount of the levy shall be as determined and
 35.5 certified by the council, provided that the tax levied by the Metropolitan Council for the
 35.6 right-of-way acquisition loan fund shall not exceed ~~\$2,828,379 for taxes payable in 2004~~
 35.7 ~~and \$2,828,379 for taxes payable in 2005.~~ The amount of the levy for taxes payable in
 35.8 2006 and subsequent years shall not exceed the product of (1) the Metropolitan Council's
 35.9 property tax levy limitation under this subdivision for the previous year, multiplied by
 35.10 (2) one plus a percentage equal to the growth in the implicit price deflator as defined
 35.11 in section 275.70, subdivision 2.

35.12 Subd. 4. **State review.** The commissioner of revenue shall certify the council's levy
 35.13 limitation under this section to the council by August 1 of the levy year. The council must
 35.14 certify its proposed property tax levy to the commissioner of revenue by September 1 of
 35.15 the levy year. The commissioner of revenue shall annually determine whether the property
 35.16 tax for the right-of-way acquisition loan fund certified by the Metropolitan Council for
 35.17 levy following the adoption of its proposed budget is within the levy limitation imposed
 35.18 by this section. The determination must be completed prior to September 10 of each year.
 35.19 If current information regarding market valuation in any county is not transmitted to the
 35.20 commissioner in a timely manner, the commissioner may estimate the current market
 35.21 valuation within that county for purposes of making the calculation.

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

35.23 Sec. 8. Laws 2014, chapter 312, article 11, section 33, is amended to read:

35.24 Sec. 33. **TRANSPORTATION EFFICIENCIES.**

35.25 (a) The commissioner of transportation shall include in the report under Minnesota
 35.26 Statutes, section 174.56, due by December 15, 2015, information on efficiencies
 35.27 implemented in fiscal year 2015 in planning and project management and delivery,
 35.28 along with an explanation of the efficiencies employed to achieve the savings and the
 35.29 methodology used in the calculations. The level of savings achieved must equal, in
 35.30 comparison with the total state road construction budget for that year, a minimum of five
 35.31 percent in fiscal year 2015. The report must identify the projects that have been advanced
 35.32 or completed due to the implementation of efficiency measures.

35.33 (b) The commissioner shall identify in the report those recommendations from the
 35.34 Transportation Strategic Management and Operations Advisory Task Force Report dated
 35.35 January 23, 2009, submitted to the legislature by the Departments of Administration

36.1 and Transportation, as required by Laws 2008, chapter 152, article 6, section 9,
 36.2 that the commissioner has implemented, with a description of current status of the
 36.3 recommendation and results of implementation.

36.4 (c) The commissioner shall present in the report plans to incorporate greater
 36.5 efficiencies in department operation and decision-making, including, but not limited to,
 36.6 the following: financing innovations, mode choice in project selection and design, land
 36.7 use planning, return on investment calculation, project delivery, including selection of
 36.8 materials and decreasing project delivery time, and efficiencies in multiagency permitting.

36.9 **Sec. 9. APPROPRIATION.**

36.10 \$..... is appropriated from the trunk highway fund to the commissioner of
 36.11 transportation for deposit in the state right-of-way acquisition loan account under
 36.12 Minnesota Statutes, section 161.225.

36.13 **EFFECTIVE DATE.** This section is effective January 1, 2015.

36.14 **ARTICLE 8**

36.15 **TRANSPORTATION POLICY**

36.16 Section 1. Minnesota Statutes 2014, section 174.42, is amended by adding a
 36.17 subdivision to read:

36.18 **Subd. 3. Funding requirement for greater Minnesota.** (a) In each federal fiscal
 36.19 year, the commissioner shall spend out of National Highway Performance Program funds
 36.20 a total amount in federal transportation funds for an active transportation competitive
 36.21 grant program in greater Minnesota that totals a minimum of \$16,000,000 in excess of
 36.22 the average annual spending on greater Minnesota transportation alternatives projects in
 36.23 federal fiscal years between October 2009 and September 2012. This requirement must
 36.24 not reduce the amount of federal transportation funding for metropolitan projects.

36.25 (b) The commissioner of transportation shall create and implement the active
 36.26 transportation competitive grant program. The program must receive funds under this
 36.27 subdivision and may receive funds from any other source. The commissioner shall
 36.28 establish criteria for grant awards, in collaboration with experts in bicycle, pedestrian,
 36.29 trail, and safe routes to school infrastructure. The criteria must clarify statewide priorities,
 36.30 ensure that grant awards further these statewide priorities, and require grant recipients
 36.31 to be accountable for their use of program resources. Cities, counties, and townships in
 36.32 greater Minnesota are eligible to apply for grants for projects related to safe routes to
 36.33 school infrastructure and noninfrastructure activities, bicycle and pedestrian elements

37.1 of a main street program, and planning activities and construction and maintenance of
37.2 bicycle, trail, and pedestrian infrastructure.

37.3 **EFFECTIVE DATE.** This section is effective October 1, 2015.

37.4 Sec. 2. Minnesota Statutes 2014, section 222.50, subdivision 7, is amended to read:

37.5 Subd. 7. **Expenditures.** (a) The commissioner may expend money from the rail
37.6 service improvement account for the following purposes:

37.7 (1) to make transfers as provided under section 222.57 or to pay interest adjustments
37.8 on loans guaranteed under the state rail user and rail carrier loan guarantee program;

37.9 (2) to pay a portion of the costs of capital improvement projects designed to improve
37.10 rail service of a rail user or a rail carrier;

37.11 (3) to pay a portion of the costs of rehabilitation projects designed to improve rail
37.12 service of a rail user or a rail carrier;

37.13 (4) to acquire, maintain, manage, and dispose of railroad right-of-way pursuant to
37.14 the state rail bank program;

37.15 (5) to provide for aerial photography survey of proposed and abandoned railroad
37.16 tracks for the purpose of recording and reestablishing by analytical triangulation the
37.17 existing alignment of the in-place track;

37.18 (6) to pay a portion of the costs of acquiring a rail line by a regional railroad
37.19 authority established pursuant to chapter 398A;

37.20 (7) to pay the state matching portion of federal grants for rail-highway grade
37.21 crossing improvement projects;

37.22 (8) for expenditures made before July 1, 2017, to pay the state matching portion
37.23 of grants under the federal Transportation Investment Generating Economic Recovery
37.24 (TIGER) program of the United States Department of Transportation; ~~and~~

37.25 (9) to fund rail planning studies; and

37.26 (10) to pay a portion of the costs of capital improvement projects designed to
37.27 improve capacity or safety at rail yards.

37.28 (b) All money derived by the commissioner from the disposition of railroad
37.29 right-of-way or of any other property acquired pursuant to sections 222.46 to 222.62 shall
37.30 be deposited in the rail service improvement account.

37.31 Sec. 3. Minnesota Statutes 2014, section 473.915, is amended to read:

37.32 **473.915 PROCUREMENTS.**

38.1 Subdivision 1. Review by Legislative Advisory Commission. All proposed
38.2 Metropolitan Council procurements over \$125,000,000 must be reviewed by the
38.3 members of the Legislative Advisory Commission under section 3.30 and the ranking
38.4 minority members of the house of representatives and senate committees or divisions
38.5 responsible for overseeing the items subject to the proposed procurement. The chair
38.6 of the Metropolitan Council shall give notice to the Legislative Advisory Commission
38.7 secretary when a procurement over \$125,000,000 is being considered. The commission
38.8 shall take testimony on the procurements.

38.9 Subd. 2. Review by Transportation Accessibility Advisory Committee.
38.10 The council shall consult with the Transportation Accessibility Advisory Committee
38.11 concerning all proposed Metropolitan Council procurements of transit vehicles and shall
38.12 consider the committee's input before ordering vehicles.

38.13 EFFECTIVE DATE. This section is effective the day following final enactment
38.14 and applies in the counties of Anoka, Carver, Dakota, Hennepin, Ramsey, Scott, and
38.15 Washington.

38.16 Sec. 4. COST SHARE POLICY.

38.17 The commissioner of transportation, in consultation with representatives of local
38.18 units of government, shall create and adopt a policy concerning cost participation
38.19 for cooperative construction projects and maintenance responsibilities between the
38.20 Department of Transportation and local units of government. The policy must minimize
38.21 the share of cooperative project costs to be funded by the local units of government,
38.22 while complying in all respects with the state constitutional requirements concerning
38.23 allowable uses of the trunk highway fund. The policy must be completed and adopted by
38.24 the commissioner no later than September 1, 2015.

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

38.26 Sec. 5. PUBLIC-PRIVATE PARTNERSHIP PILOT PROGRAM.

38.27 Subdivision 1. Public-private partnership initiatives. (a) The commissioner
38.28 of transportation and Metropolitan Council are authorized to consider and utilize
38.29 public-private partnership procurement methods for up to three pilot projects as provided
38.30 in this section. Utilization of public-private partnerships is a recognition of the importance
38.31 to the state of an efficient and safe transportation system, and the necessity of developing
38.32 alternative funding sources to supplement traditional sources of transportation revenues.
38.33 A public-private partnership initiative must take advantage of private sector efficiencies in

39.1 design and construction, along with expertise in finance and development, and provide a
39.2 better long-term value for the state than could be obtained through traditional procurement
39.3 methods.

39.4 (b) Notwithstanding Minnesota Statutes, section 160.845, 160.98, or any other law
39.5 to the contrary, the commissioner or council may consider for use in the pilot program any
39.6 existing public-private partnership mechanism or any proposed mechanism that proves the
39.7 best available option for the state. Mechanisms the commissioner or council may consider
39.8 include, but are not limited to, toll facilities, BOT facilities, BTO facilities, user fees,
39.9 construction payments, joint development agreements, negotiated exactions, air rights
39.10 development, street improvement districts, or tax increment financing districts for transit.
39.11 For the purposes this section, toll facilities, BOT facilities, and BTO facilities have the
39.12 meanings given under Minnesota Statutes, section 160.84.

39.13 (c) As part of the pilot program, the commissioner and council are directed to form
39.14 an independent advisory and oversight office, the Joint Program Office for Economic
39.15 Development and Alternative Finance. The office shall consist of the commissioner of
39.16 management and budget, the commissioner of employment and economic development,
39.17 the commissioner of administration, the commissioner of transportation, the Metropolitan
39.18 Council, and one representative each from the American Council of Engineering
39.19 Companies - Minnesota chapter, the Central Minnesota Transportation Alliance, the
39.20 Counties Transit Improvement Board, and the Minnesota County Engineers Association.
39.21 In addition, the commissioner and Metropolitan Council shall invite the Federal Highway
39.22 Administration and the Federal Transit Administration to participate in the office's
39.23 activities. The office's duties shall include, but are not limited to, reviewing and approving
39.24 projects proposed under this section, reviewing any contractual or financial agreements
39.25 to ensure program requirements are met, and ensuring that any proposed or executed
39.26 agreement serves the public interest.

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

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

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

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

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

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

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

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

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

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

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

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

40.30 (7) benefits to the public;

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

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

40.33 (c) The independent advisory and oversight office established under subdivision
40.34 1, paragraph (c), shall review proposals evaluated by the commissioner or council to
40.35 ensure the requirements of this section are being met. The independent advisory and
40.36 oversight office shall first determine whether the project, as proposed, serves the public

41.1 interest. In making this determination, the office must identify and consider advantages
41.2 and disadvantages for various stakeholders, including taxpayers, workers, transportation
41.3 and transit providers and operators, transportation and transit users, commercial vehicle
41.4 operators, and the general public, including the impact on the state's economy. If the
41.5 proposed project serves the public interest, the office must evaluate the proposals
41.6 according to the criteria specified in this section.

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

41.9 (1) the planning, acquisition, financing, development, design, construction,
41.10 reconstruction, replacement, improvement, maintenance, management, repair, leasing, or
41.11 operation of the project;

41.12 (2) the term of the public-private agreement;

41.13 (3) the type of property interest, if any, that the private entity will have in the project;

41.14 (4) a description of the actions the commissioner or council may take to ensure
41.15 proper maintenance of the project;

41.16 (5) whether user fees will be collected on the project and the basis by which the user
41.17 fees shall be determined and modified along with identification of the public agency that
41.18 will determine and modify fees;

41.19 (6) compliance with applicable federal, state, and local laws;

41.20 (7) grounds for termination of the public-private agreement by the commissioner
41.21 or council;

41.22 (8) adequate safeguards for the traveling public and residents of the state in event of
41.23 default on the contract;

41.24 (9) financial protection for the state in the event of default; and

41.25 (10) procedures for amendment of the agreement.

41.26 (b) A public-private agreement between the commissioner or council and a private
41.27 entity may provide for:

41.28 (1) review and approval by the commissioner or council of the private entity's plans
41.29 for the development and operation of the project;

41.30 (2) inspection by the commissioner or council of construction and improvements
41.31 to the project;

41.32 (3) maintenance by the private entity of a liability insurance policy;

41.33 (4) filing of appropriate financial statements by the private entity on a periodic basis;

41.34 (5) filing of traffic reports by the private entity on a periodic basis;

41.35 (6) financing obligations of the commissioner or council and the private entity;

42.1 (7) apportionment of expenses between the commissioner or council and the private
 42.2 entity;

42.3 (8) the rights and remedies available in the event of a default or delay;

42.4 (9) the rights and duties of the private entity, the commissioner or council, and other
 42.5 state or local governmental entities with respect to the use of the project;

42.6 (10) the terms and conditions of indemnification of the private entity by the
 42.7 commissioner or council;

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

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

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

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

42.15 (c) The independent advisory and oversight office established under subdivision
 42.16 1, paragraph (c), shall review any proposed contractual agreement prior to execution
 42.17 in order to ensure that the contract serves the public interest and the requirements of
 42.18 this section are met.

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

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

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

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

43.1 **EFFECTIVE DATE.** This section is effective the day after an appropriation is
43.2 effective to pay administrative expenses creating and operating the Joint Program Office
43.3 for Economic Development and Alternative Finance, hiring a consultant, and preparing
43.4 required reports.

43.5 Sec. 6. **TRANSPORTATION PROJECT SELECTION PROCESS.**

43.6 Subdivision 1. **Adoption of process and public input.** The commissioner of
43.7 transportation shall, after consultation with metropolitan planning organizations, regional
43.8 development commissions, area transportation partnerships, local governments, and the
43.9 Metropolitan Council, draft a proposed transportation project data-driven evaluation
43.10 process to provide an objective and consistent analysis to assist in prioritization of
43.11 highway construction, reconstruction, and improvement projects. No later than January
43.12 10, 2016, the proposed process must be reported to the chairs and ranking minority
43.13 members of the house of representatives and senate committees on transportation policy
43.14 and finance and publicized, along with a schedule for public hearings and additional
43.15 opportunities for public input electronically and at locations throughout the state. No
43.16 later than March 1, 2016, after public comment has been heard and incorporated into the
43.17 proposed evaluation process, the commissioner shall adopt a final process for use in
43.18 highway project investment decisions on and after July 1, 2016.

43.19 Subd. 2. **Factors in analysis.** The process must be based on objective, consistent,
43.20 and quantifiable analysis. Factors in the analysis must include return on investment,
43.21 benefit-cost, local rankings, safety, congestion mitigation, economic development,
43.22 accessibility, environmental quality, regional and metropolitan-rural balance, and land
43.23 use. The process may assign different weights to factors in evaluating projects on the
43.24 trunk highway system, the county state-aid highway system, and the municipal state-aid
43.25 street system.

43.26 Subd. 3. **Exemptions.** A proposed project is exempt from the process if it is funded
43.27 by a grant from: (1) the corridors of commerce program under Minnesota Statutes, section
43.28 161.088; (2) the transportation economic development program under Minnesota Statutes,
43.29 section 174.12; or (3) the joint powers board under Minnesota Statutes, section 297A.992,
43.30 subdivision 6, paragraph (b), clause (3); or if subjecting it to the evaluation process would
43.31 result in a loss of federal funds.

43.32 Subd. 4. **Information on department Web site.** For each proposed project evaluated
43.33 under this process, the applicable scoring process, the score for each factor, and the overall
43.34 score are public information and must be publicized on the department's Web site.

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

44.1 Sec. 7. **REPORT ON DEDICATED FUND EXPENDITURES.**

44.2 By January 15, 2016, the commissioner of management and budget shall submit
44.3 a report to the chairs and ranking minority members of the legislative committees with
44.4 jurisdiction over transportation finance. The report must list detailed expenditures and
44.5 transfers from the trunk highway fund and highway user tax distribution fund for fiscal
44.6 years 2010 through 2015, and shall include information on the purpose of each expenditure.

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ARTICLE 2	CAPITAL IMPROVEMENTS	Page.Ln 3.25
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161.081 HIGHWAY USER TAX, DISTRIBUTION, INVESTMENT.

Subd. 3. **Flexible highway account; turnback accounts.** (a) The flexible highway account is created in the state treasury. Money in the account shall be used:

(1) in fiscal years 2009 and 2010, 100 percent of the excess sum, as calculated in paragraph (i), and in fiscal years 2011 and thereafter, 50 percent of the excess sum, as calculated in paragraph (i), for counties in the metropolitan area, as defined in section 473.121, subdivision 4, but for the purposes of the calculation cities of the first class will be excluded in the metropolitan area; and

(2) of the amount available in the flexible highway account less the amount under clause (1), as determined by the commissioner under this section for:

(i) restoration of former trunk highways that have reverted to counties or to statutory or home rule charter cities, or for trunk highways that will be restored and subsequently turned back by agreement between the commissioner and the local road authority;

(ii) safety improvements on county highways, municipal highways, streets, or town roads; and

(iii) routes of regional significance.

(b) For purposes of this subdivision, "restoration" means the level of effort required to improve the route that will be turned back to an acceptable condition as determined by agreement made between the commissioner and the county or city before the route is turned back.

(c) The commissioner shall review the need for funds to restore highways that have been or will be turned back. The commissioner shall determine, on a biennial basis, the percentage of funds in the flexible highway account to be distributed to each district, and within each district the percentage to be used for each of the purposes specified in paragraph (a). Money in the account may be used for safety improvements and routes of regional significance only after money is set aside to restore the identified turnbacks. The commissioner shall make these determinations only after meeting and holding discussions with committees selected by the statewide associations of both county commissioners and municipal officials. The commissioner shall, to the extent feasible, annually allocate 50 percent of the funds in the flexible highway account to the department's metropolitan district, and 50 percent to districts in greater Minnesota.

(d) Money that will be used for the restoration of trunk highways that have reverted or that will revert to cities must be deposited in the municipal turnback account, which is created in the state treasury.

(e) Money that will be used for the restoration of trunk highways that have reverted or that will revert to counties must be deposited in the county turnback account, which is created in the state treasury.

(f) Money that will be used for safety improvements must be deposited in the highway safety improvement account, which is created in the state treasury to be used as grants to statutory or home rule charter cities, towns, and counties to assist in paying the costs of constructing or reconstructing city streets, county highways, or town roads to reduce crashes, deaths, injuries, and property damage.

(g) Money that will be used for routes of regional significance must be deposited in the routes of regional significance account, which is created in the state treasury, and used as grants to statutory or home rule charter cities, towns, and counties to assist in paying the costs of constructing or reconstructing city streets, county highways, or town roads with statewide or regional significance that have not been fully funded through other state, federal, or local funding sources.

(h) As part of each biennial budget submission to the legislature, the commissioner shall describe how the money in the flexible highway account will be apportioned among the county turnback account, the municipal turnback account, the trunk highway fund for routes turned back to local governments by agreement, the highway safety improvement account, and the routes of regional significance account.

(i) The excess sum is calculated as the sum of revenue within the flexible highway account:

(1) attributed to that portion of the gasoline excise tax rate under section 296A.07, subdivision 3, in excess of 20 cents per gallon, and to that portion of the excise tax rates in excess of the energy equivalent of a gasoline excise tax rate of 20 cents per gallon for E85 and M85 under section 296A.07, subdivision 3, and special fuel under section 296A.08, subdivision 2;

(2) attributed to a change in the passenger vehicle registration tax under section 168.013, imposed on or after July 1, 2008, that exceeds (i) the amount collected in fiscal year 2008, multiplied by (ii) the annual average United States Consumer Price Index for the calendar year previous to the current calendar year, divided by the annual average United States Consumer Price Index for calendar year 2007; and

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(3) attributed to that portion of the motor vehicle sales tax revenue in excess of the percentage allocated to the flexible highway account in fiscal year 2007.

(j) For purposes of this subdivision, the United States Consumer Price Index identified in paragraph (i), clause (2), is for all urban consumers, United States city average, as determined by the United States Department of Labor.

297A.992 METROPOLITAN TRANSPORTATION AREA SALES TAX.

Subd. 3. **Joint powers agreement.** Before imposing the taxes authorized in subdivision 2, an eligible county must declare by resolution of its county board to be part of the metropolitan transportation area and must enter into a joint powers agreement. The joint powers agreement:

- (1) must form a joint powers board, as specified in subdivision 4;
- (2) must provide a process that allows any eligible county, by resolution of its county board, to join the joint powers board and impose the taxes authorized in subdivision 2;
- (3) may provide for withdrawal of a participating county before final termination of the agreement; and
- (4) may provide for a weighted voting system for joint powers board decisions.