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	1228a	Comm report: To pass as amended and re-refer to Finance See SF1647

A bill for an act

relating to transportation; capital investment; taxes; amending provisions governing transportation finance; establishing gross receipts motor fuels tax; amending vehicle registration tax and metropolitan area transit sales tax; amending distribution of highway user fund and county state-aid funding; authorizing sale and issuance of trunk highway bonds; requiring a report; appropriating money; amending Minnesota Statutes 2014, sections 16E.15, subdivision 2; 115A.908; 161.081, subdivision 1; 161.082, subdivision 1, by adding a subdivision; 161.083; 161.088, subdivisions 3, 4, 5; 161.20, by adding a subdivision; 161.231; 161.46, subdivision 2; 162.07, subdivision 1a; 168.013, subdivisions 1a, 8; 168.053, subdivision 1; 168.31, by adding a subdivision; 168.33, subdivisions 2, 7; 168.54, subdivision 5; 168D.06; 174.03, subdivisions 10, 11; 174.12, subdivision 5; 174.42, by adding a subdivision; 174.52, subdivisions 4a, 5; 222.50, subdivision 7; 270.80, subdivisions 1, 2, 3, 4, by adding subdivisions; 270.81, subdivisions 1, 3, by adding a subdivision; 270.82; 270.83, subdivisions 1, 2; 270.84; 270.86; 270.87; 272.02, subdivision 9; 275.025, subdivisions 1, 4; 296A.061; 296A.11; 296A.12; 296A.16; 297A.815, subdivision 3; 297A.94; 297A.992, subdivisions 1, 4, 5, 6; 297B.09, subdivision 1; 299D.09; 357.021, subdivision 7; 360.024; 360.305, subdivision 4; 473.167; 473.915; Laws 2014, chapter 312, article 11, section 33; proposing coding for new law in Minnesota Statutes, chapters 161; 174; 219; 296A; 297A; 299D; 473; repealing Minnesota Statutes 2014, sections 161.081, subdivision 3; 270.81, subdivision 4; 270.83, subdivision 3; 473.4051, subdivision 2; Minnesota Rules, parts 8106.0100, subparts 1, 2, 3, 4, 5, 6, 7, 8, 10, 12, 13, 14, 17, 17a, 18, 19, 20, 21; 8106.0300, subparts 1, 3; 8106.0400; 8106.0500; 8106.0600; 8106.0700; 8106.0800; 8106.9900.

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

ARTICLE 1

TRUNK HIGHWAY BONDING

Section 1. **BOND SALE AUTHORIZATION.**

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

Sec. 2. **BOND APPROPRIATIONS.**

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

SUMMARY

Department of Transportation	$	1,000,000,000
Department of Management and Budget		1,000,000
TOTAL	**$**	**1,001,000,000**

APPROPRIATIONS

Sec. 3. **DEPARTMENT OF TRANSPORTATION CORRIDORS OF COMMERCE**	**$**	**800,000,000**

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

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

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

Sec. 4. **TRANSPORTATION ECONOMIC DEVELOPMENT PROGRAM**	**$**	**200,000,000**

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

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

Sec. 5. **BOND SALE EXPENSES**	**$**	**1,000,000**

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

Sec. 6. **EFFECTIVE DATE.**

This article is effective July 1, 2015.

ARTICLE 2

GROSS RECEIPTS TAX

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

296A.061 CANCELLATION OR NONRENEWAL OF LICENSES.

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

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

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

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

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

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

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

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

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

(1) 6.5 percent of $2.50; or

(2) 6.5 percent of the prior fiscal year's average wholesale gasoline price per gallon in Minnesota for all grades by refiners, as published by the United States Energy Information Administration and rounded to the nearest tenth of a cent per gallon. The wholesale price used must not include any tax or fee assessed by the state of Minnesota or the United States government.

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

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

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

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

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

296A.11 SELLER MAY COLLECT TAX.

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

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

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

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

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

296A.16 REFUND OR CREDIT.

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

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

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

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

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

(5) in error;

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

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

Subd. 2. **Fuel used in other vehicle; claim for refund.** Any person who buys and uses gasoline for a qualifying purpose other than use in motor vehicles, snowmobiles except as provided in clause (2), or motorboats, or special fuel for a qualifying purpose other than use in licensed motor vehicles, and who paid the <u>excise or gross receipts</u> tax directly or indirectly through the amount of the tax being included in the price of the gasoline or special fuel, or otherwise, shall be reimbursed and repaid the amount of the tax paid upon filing with the commissioner a claim for refund in the form and manner prescribed by the commissioner, and containing the information the commissioner shall require. By signing any such claim which is false or fraudulent, the applicant shall be subject to the penalties provided in this chapter for knowingly making a false claim. The claim shall set forth the total amount of the gasoline so purchased and used by the applicant other than in motor vehicles, or special fuel purchased and used by the applicant other than in licensed motor vehicles, and shall state when and for what purpose it was used. When a claim contains an error in computation or preparation, the commissioner is authorized to adjust the claim in accordance with the evidence shown on the claim or other information available to the commissioner. The commissioner, on being satisfied that the claimant is entitled to the payments, shall approve the claim and transmit it to the commissioner of management and budget. The words "gasoline" or "special fuel" as used in this subdivision do not include aviation gasoline or special fuel for aircraft. Gasoline or special fuel bought and used for a "qualifying purpose" means:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

ARTICLE 3

VEHICLE REGISTRATION TAX

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

Subd. 1a. **Passenger automobile; hearse.** (a) On passenger automobiles as defined in section 168.002, subdivision 24, and hearses, except as otherwise provided, the tax shall be an amount equal to a combination of the following: $10 for those vehicles with registration periods beginning on or before June 30, 2018; and $20 for those vehicles with registration periods on or after July 1, 2018, plus an additional tax equal to ~~1.25~~ a percentage of 1.5 percent of the base value as specified in paragraph (h).

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

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

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

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

FROM	TO
$ 0	$ 199.99
$ 200	$ 399.99

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

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

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

(h) The annual additional tax must be computed upon ~~a~~ the specified percentage of 1.5 percent of the base value as follows: during the first year of vehicle life, upon 100 percent ~~of the base value~~; for the second year, 90 percent ~~of such value~~; for the third year, 80 percent ~~of such value~~; for the fourth year, 70 percent ~~of such value~~; for the fifth year, 60 percent ~~of such value~~; for the sixth year, 50 percent ~~of such value~~; for the seventh year, 40 percent ~~of such value~~; for the eighth year, 30 percent ~~of such value~~; for the ninth year, 20 percent ~~of such value~~; for the tenth year, ten percent ~~of such value~~; for the 11th and each succeeding year, the sum of $25.

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

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

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

ARTICLE 4

METROPOLITAN TRANSIT IMPROVEMENT AREA SALES TAX

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

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

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

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

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

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

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

Sec. 2. Minnesota Statutes 2014, section 297A.992, subdivision 4, is amended to read:

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

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

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

Sec. 3. Minnesota Statutes 2014, section 297A.992, subdivision 5, is amended to read:

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

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

(c) ~~The joint powers board shall establish a GEARS Committee, which must consist of:~~

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

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

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

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

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

~~(e) The committee shall evaluate grant applications following objective criteria established by the joint powers board, and must provide to the joint powers board a selection list of transportation projects that includes a priority ranking.~~

~~(f)~~ A grant award for a transit project located within the metropolitan area, as defined in section 473.121, subdivision 2, may be funded only after the Metropolitan Council reviews the project for consistency with the transit portion of the Metropolitan Council policy plan and one of the following occurs:

(1) the Metropolitan Council finds the project to be consistent;

(2) the Metropolitan Council initially finds the project to be inconsistent, but after a good faith effort to resolve the inconsistency through negotiations with the joint powers board, agrees that the grant award may be funded; or

(3) the Metropolitan Council finds the project to be inconsistent, and submits the consistency issue for final determination to a panel, which determines the project to be consistent. The panel is composed of a member appointed by the chair of the Metropolitan Council, a member appointed by the joint powers board, and a member agreed upon by both the chair and the joint powers board.

~~(g)~~ (d) Grants must be funded by the proceeds of the taxes imposed under this section and under section 297A.9925, bonds, notes, or other obligations issued by the joint powers board under subdivision 7.

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

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

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

Sec. 4. Minnesota Statutes 2014, section 297A.992, subdivision 6, is amended to read:

Subd. 6. **Allocation of grant awards.** (a) The board must allocate grant awards only for the following transit purposes:

~~(i)~~ (1) capital improvements to transitways, including, but not limited to, highway bus rapid transit, commuter rail rolling stock, light rail vehicles, and transitway buses, provided that the 40 percent maximum does not apply to Robert Street transitway or Riverview corridor;

~~(ii)~~ (2) capital costs for park-and-ride facilities, as defined in section 174.256, subdivision 2;

~~(iii)~~ (3) feasibility studies, planning, alternatives analyses, environmental studies, engineering, property acquisition for transitway purposes, and construction of transitways; ~~and~~

~~(iv)~~ (4) 50 percent of net operating ~~assistance for~~ cost of transitways that commenced revenue operations before September 30, 2015;

(5) 100 percent of net operating cost of the Robert Street transitway; and

(6) capital and operating costs for any transitway improvement or transitway with total grant awards under this clause not to exceed tax proceeds remitted under section 299A.9925, subdivision 4, clause (1). Only the Metropolitan Council or a county located in the metropolitan transportation area may apply for a grant under this clause.

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

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

Sec. 5. **[297A.9925] METROPOLITAN TRANSIT IMPROVEMENT AREA TRANSIT SALES AND USE TAX; RATE; IMPOSITION; USES; PRIORITIES.**

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

(1) "metropolitan transit improvement area" or "area" means the counties of Anoka, Dakota, Hennepin, Ramsey, and Washington;

(2) "Metropolitan Council" or "council" means the Metropolitan Council established by section 473.123; and

(3) "local governmental unit" means any county, city, town, school district, special district, or other political subdivisions or public corporation, other than the council or a

metropolitan agency, lying in whole or in part within the metropolitan transit improvement area.

Subd. 2. **Metropolitan transit improvement area transit sales tax imposition; rate.** (a) Notwithstanding section 297A.99, subdivisions 1, 2, and 3, 477A.016, or any other law, a metropolitan area transit sales and use tax is imposed at a rate of three-quarters of one percent on retail sales and uses taxable under this chapter occurring within the metropolitan transit improvement area.

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

Subd. 3. **Administration; collection; enforcement.** Except as otherwise provided in this section, the provisions of section 297A.99, subdivisions 4 and 6 to 12a, govern the administration, collection, and enforcement of the tax authorized under this section.

Subd. 4. **Distribution of net revenues.** After deducting costs of collection and other costs under section 297A.99, subdivision 11, the commissioner of revenue shall remit:

(1) to the Counties Transit Improvement Board, an amount equal to 8.5 percent of the net proceeds of the tax imposed under subdivision 2; and

(2) to the Metropolitan Council, the remaining proceeds.

Subd. 5. **General purpose; consistency with transportation policy plan.** (a) The Metropolitan Council shall utilize the proceeds of the tax imposed under subdivision 2 for transit purposes described under subdivision 7, within the metropolitan transit improvement area.

(b) Projects funded with the metropolitan transit improvement area transit sales and use tax proceeds must be consistent with the long-range transportation policy plan adopted by the council under section 473.146 and located within the transit improvement area.

Subd. 6. **Priorities.** The council shall allocate revenues from the taxes imposed under this section in conformance with the following priority order:

(1) payment of debt service necessary for the fiscal year on bonds or other obligations secured by revenues from the tax imposed in this section;

(2) proportional distribution of an amount equal to one-eighth of the total net proceeds of the taxes imposed under subdivision 2 and under section 297A.992, subdivision 2, so that the share of each county in the metropolitan transit improvement area is based on the proportion of taxes generated in that county. Grant awards under this clause must be used by Hennepin County only for transit purposes, but by all other

counties for any transit purpose or any transportation purpose that has a nexus to transit or transit-oriented development; and

(3) as otherwise authorized under subdivision 7.

Subd. 7. **Use of tax proceeds.** (a) After deducting the amount necessary under subdivision 6, clauses (1) and (2), the council shall allocate remaining revenues from the tax imposed in this section for the following purposes:

(1) operating and capital costs to preserve existing bus services that are in conformance with regional transit performance standards as specified in the council's transportation policy plan;

(2) 100 percent of the net operating costs of arterial bus rapid transit lines in operation on September 30, 2015, and 50 percent of the net operating costs of other transitways;

(3) grants required under paragraph (b);

(4) operating and capital costs for transit expansion in accordance with the transit portion of the council's policy transit plan, including, but not limited to:

(i) expansion and upgrades of regular route and commuter bus service provided by metropolitan transit and replacement services under section 473.388, with overall expansion of service by an annual average rate of four percent;

(ii) development of arterial bus rapid transit, transitways, and streetcar systems; and

(iii) maintenance of affordable transit fares;

(5) operating and capital costs for expansion and improvement of regional transitways and streetcars;

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

(7) to the Center for Transportation Studies, University of Minnesota, $500,000 annually for research to improve accessibility, operational efficiency, and safety of transit systems; and

(8) any other costs payable in accordance with subdivisions 5, 6, and 7, which may include, but are not limited to, transit operations, capital improvements, design, engineering and environmental work, acquisition of real property, transit planning and feasibility studies, and to provide grants to local governmental units for transit purposes, including streetcars, or for bicycle and pedestrian projects.

(b) The council shall make available an amount equal to ten percent of the revenues from the tax imposed in this section and in section 297A.992 through grants to local units of government within the metropolitan transit improvement area for construction and maintenance of regional bicycle, trail, and pedestrian infrastructure for safe routes to school infrastructure and for active transportation programs under section 174.38. The council shall establish a grant program, criteria, and oversight procedures.

EFFECTIVE DATE. This section is effective for sales and purchases made after September 30, 2015, and applies in the counties of Anoka, Dakota, Hennepin, Ramsey, and Washington.

Sec. 6. **REPEALER.**

Minnesota Statutes 2014, section 473.4051, subdivision 2, is repealed.

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

ARTICLE 5

OTHER TAXES, FEES, AND TRANSFERS

Section 1. Minnesota Statutes 2014, section 115A.908, is amended to read:

115A.908 MOTOR VEHICLE TRANSFER FEE.

Subdivision 1. **Fee charged.** (a) A fee of $10 shall be charged on the initial registration and each subsequent transfer of title within the state, other than transfers for resale purposes, of every motor vehicle weighing more than 1,000 pounds. The fee shall be collected by the commissioner of public safety. Registration plates or certificates of title may not be issued by the commissioner of public safety for the ownership or operation of a motor vehicle subject to the transfer fee unless the fee is paid. The fee may not be charged on the transfer of:

(1) previously registered vehicles if the transfer is to the same person;

(2) vehicles subject to the conditions specified in section 297A.70, subdivision 2; or

(3) vehicles purchased in another state by a resident of another state if more than 60 days have elapsed after the date of purchase and the purchaser is transferring title to this state and has become a resident of this state after the purchase.

(b) A surcharge of ...... is imposed on each fee charged under paragraph (a).

Subd. 2. **Deposit of revenue.** (a) Fee revenue collected under this section shall be credited to the environmental fund.

(b) The commissioner of transportation shall deposit the proceeds of the surcharge as follows:

(1) 50 percent in the small city streets and bridges account under section 174.54, subdivision 1; and

(2) 50 percent in the larger city streets and bridges account under section 174.54, subdivision 2.

Sec. 2. Minnesota Statutes 2014, section 161.081, subdivision 1, is amended to read:

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

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

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

~~(2) 16 percent to the town bridge account, which is created in the state treasury~~ 56.5 percent to the county state-aid highway fund, consisting of: (i) 30.5 percent to the town road account created in section 162.081; (ii) 16 percent to the town bridge account created in the state treasury; and (iii) ten percent to the county municipal accounts for purposes described in section 162.08; and

~~(3) 53.5 percent to the flexible highway account created in subdivision 3~~ (2) 43.5 percent to the municipal state-aid street fund.

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

Sec. 3. Minnesota Statutes 2014, section 161.082, subdivision 1, is amended to read:

Subdivision 1. **Creation of account; rules.** (a) The county turnback account is created in the state treasury, consisting of money allotted or appropriated to the account that will be used for the restoration of trunk highways that have reverted or that will revert to counties.

(b) Except as provided in this section ~~and in section 161.081~~, all money accruing to the county turnback account shall be expended in accordance with rules of the commissioner of transportation in paying a county for the restoration of former trunk highways, or portions thereof, that have reverted to the county in accordance with law, and have become a part of the county state-aid highway system.

Sec. 4. Minnesota Statutes 2014, section 161.082, is amended by adding a subdivision to read:

Subd. 1a. **Budget submission.** As part of each biennial budget submission to the legislature, the commissioner shall include a request for an appropriation to the county turnback account.

Sec. 5. Minnesota Statutes 2014, section 161.083, is amended to read:

161.083 MUNICIPAL TURNBACK ACCOUNT, EXPENDITURE.

Subdivision 1. **Creation of account.** The municipal turnback account is created in the state treasury, consisting of money allotted or appropriated to the account that will be used for the restoration of trunk highways that have reverted or that will revert to cities. Except as ~~hereinafter~~ provided in this section, all money accruing to the municipal turnback account shall be expended in accordance with rules of the commissioner of transportation in paying a municipality having a population of 5,000 or more for the reconstruction and improvement of former trunk highways, or portions thereof, that have reverted to such municipality in accordance with law, and have become a part of the municipal state-aid street system.

Subd. 2. **Biennial budget submission.** As part of each biennial budget submission to the legislature, the commissioner shall include a request for an appropriation to the municipal turnback account.

Sec. 6. Minnesota Statutes 2014, section 162.07, subdivision 1a, is amended to read:

Subd. 1a. **Apportionment sum and excess sum.** (a) For purposes of this subdivision, "distribution amount" means the amount identified in section 162.06, subdivision 1, after the deductions provided for in section 162.06 for administrative costs, disaster account, research account, and state park road account.

(b) The apportionment sum is calculated ~~by subtracting the excess sum, as calculated in paragraph (c), from~~ as 68 percent of the distribution amount.

(c) The excess sum is calculated as ~~the sum of revenue within~~ 32 percent of the distribution amount~~:~~.

~~(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~~

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

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

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

Sec. 7. Minnesota Statutes 2014, section 168.33, subdivision 2, is amended to read:

Subd. 2. **Deputy registrars.** (a) The commissioner may appoint, and for cause discontinue, a deputy registrar for any statutory or home rule charter city as the public interest and convenience may require, without regard to whether the county auditor of the county in which the city is situated has been appointed as the deputy registrar for the county or has been discontinued as the deputy registrar for the county, and without regard to whether the county in which the city is situated has established a county license bureau that issues motor vehicle licenses as provided in section 373.32.

(b) The commissioner may appoint, and for cause discontinue, a deputy registrar for any statutory or home rule charter city as the public interest and convenience may require, if the auditor for the county in which the city is situated chooses not to accept appointment as the deputy registrar for the county or is discontinued as a deputy registrar, or if the county in which the city is situated has not established a county license bureau that issues motor vehicle licenses as provided in section 373.32.

(c) The commissioner may appoint, and for cause discontinue, the county auditor of each county as a deputy registrar.

(d) Despite any other provision, a person other than a county auditor or a director of a county license bureau, who was appointed by the registrar before August 1, 1976, as a deputy registrar for any statutory or home rule charter city, may continue to serve as deputy registrar and may be discontinued for cause only by the commissioner. The county auditor who appointed the deputy registrars is responsible for the acts of deputy registrars appointed by the auditor.

(e) Each deputy, before entering upon the discharge of duties, shall take and subscribe an oath to faithfully discharge the duties and to uphold the laws of the state.

(f) If a deputy registrar appointed under this subdivision is not an officer or employee of a county or statutory or home rule charter city, the deputy shall in addition give bond to the state in the sum of $10,000, or a larger sum as may be required by the commissioner, conditioned upon the faithful discharge of duties as deputy registrar.

(g) A corporation governed by chapter 302A or 317A may be appointed a deputy registrar. Upon application by an individual serving as a deputy registrar and the giving of the requisite bond as provided in this subdivision, personally assured by the individual or another individual approved by the commissioner, a corporation named in an application then becomes the duly appointed and qualified successor to the deputy registrar.

(h) Each deputy registrar appointed under this subdivision shall keep and maintain office locations approved by the commissioner for the registration of vehicles and the collection of taxes and fees on vehicles.

(i) The deputy registrar shall keep records and make reports to the commissioner as the commissioner requires. The records must be maintained at the offices of the deputy registrar. The records and offices of the deputy registrar must at all times be open to the inspection of the commissioner or the commissioner's agents. The deputy registrar shall report to the commissioner by the next working day following receipt all registrations made and taxes and fees collected by the deputy registrar.

(j) The filing ~~fee~~ fees imposed under subdivision 7, paragraph (a), clauses (1) and (3), must be deposited in the treasury of the place for which appointed or, if not a public official, a deputy shall retain the filing ~~fee~~ fees, but the registration tax ~~and~~, any additional fees for delayed registration ~~the deputy registrar has collected~~, and the surcharge imposed under subdivision 7, paragraph (a), clause (2), the deputy registrar shall deposit by the next working day following receipt in an approved state depository to the credit of the state through the commissioner of management and budget. The place for which the deputy registrar is appointed through its governing body must provide the deputy registrar with facilities and personnel to carry out the duties imposed by this subdivision if the deputy is a public official. In all other cases, the deputy shall maintain a suitable facility for serving the public.

Sec. 8. Minnesota Statutes 2014, section 168.33, subdivision 7, is amended to read:

Subd. 7. **Filing fees and surcharge; allocations.** (a) In addition to all other statutory fees and taxes~~, a filing fee of~~:

(1) a $6 filing fee is imposed on every vehicle registration renewal, excluding pro rate transactions; ~~and~~

(2) a $10 surcharge is imposed on the fee for every vehicle registration renewal, excluding pro rate transactions; and

(3) a $10 filing fee is imposed on every other type of vehicle transaction, including pro rate transactions.

(b) Notwithstanding paragraph (a):

(1) a filing fee may not be charged for a document returned for a refund or for a correction of an error made by the Department of Public Safety, a dealer, or a deputy registrar; and

(2) no filing fee or other fee may be charged for the permanent surrender of a title for a vehicle.

(c) The filing fee and surcharge must be shown as a separate item on all registration renewal notices sent out by the commissioner.

(d) The statutory fees and taxes, and the filing fees and surcharge imposed under paragraph (a) may be paid by credit card or debit card. The deputy registrar may collect a surcharge on the statutory fees, taxes, statutory surcharge, and filing fee not greater than the cost of processing a credit card or debit card transaction, in accordance with emergency rules established by the commissioner of public safety. The surcharge authorized by this paragraph must be used to pay the cost of processing credit and debit card transactions.

(e) The fees and surcharge collected under ~~this subdivision~~ paragraph (a) by the department must be allocated as follows:

(1) of the fees collected under paragraph (a), clause (1):

(i) $4.50 must be deposited in the vehicle services operating account; and

(ii) $1.50 must be deposited:

(A) in the driver and vehicle services technology account until sufficient funds have been deposited in that account to cover all costs of administration, development, and initial full deployment of the driver and vehicle services information system; and

(B) after completion of the deposit of funds under subitem (A) in the vehicle services operating account; and

(2) of the surcharge collected under paragraph (a), clause (2):

(i) 50 percent must be deposited in the small city streets and bridges account under section 174.54, subdivision 1; and

(ii) 50 percent must be deposited in the larger city streets and bridges account under section 174.54, subdivision 2; and

(3) of the fees collected under paragraph (a), clause ~~(2)~~ (3):

(i) $3.50 must be deposited ~~in the general fund~~ as follows:

(A) 50 percent to the small city streets and bridges account under section 174.54, subdivision 1; and

(B) 50 percent to the large city streets and bridges account under section 174.54, subdivision 2;

(ii) $5.00 must be deposited in the vehicle services operating account; and

(iii) $1.50 must be deposited:

(A) in the driver and vehicle services technology account until sufficient funds have been deposited in that account to cover all costs of administration, development, and initial full deployment of the driver and vehicle services information system; and

(B) after completion of the deposit of funds under subitem (A) in the vehicle services operating account.

Sec. 9. Minnesota Statutes 2014, section 168.54, subdivision 5, is amended to read:

Subd. 5. **Proceeds to general fund.** The commissioner shall collect the proceeds of the fee imposed under this section and deposit them ~~in the general fund pursuant to section 168A.31~~:

(1) 50 percent to the small city streets and bridges account under section 174.54, subdivision 1; and

(2) 50 percent to the larger city streets and bridges account under section 174.54, subdivision 2.

Sec. 10. **[174.54] CITY STREETS AND BRIDGES ACCOUNTS.**

Subdivision 1. **Small city streets and bridges account.** A small city streets and bridges account is created as a special revenue account and established in the state treasury, consisting of money allotted, appropriated, or transferred through gift or grant for the account. Money in the account must be appropriated to the commissioner of transportation by law and apportioned among all the cities in the state that are not eligible to receive municipal state aid and do not receive municipal state aid. The commissioner shall apportion the money so that each city receives of the total amount the percentage that its population bears to the total population of small cities in this state. Money apportioned under this section must be used for construction, improvement, and maintenance of city streets and bridges.

Subd. 2. **Larger city streets and bridges account.** A larger city streets and bridges account is created as a special revenue account and established in the state treasury, consisting of money allotted, appropriated, or transferred through gift or grant for the account. Money in the account must be appropriated to the commissioner of transportation by law and apportioned among all the cities in the state that are eligible to receive municipal state aid. The commissioner shall apportion: (1) 50 percent of the money so that each city receives of that amount the percentage that its population bears to the total population of all cities that are eligible to receive municipal state aid; and (2) 50 percent of the money so that each city receives of that amount the percentage that its money needs, as determined by the commissioner under section 162.13, subdivision 3, bears to the total money needs of all cities that are eligible to receive municipal state aid.

Sec. 11. Minnesota Statutes 2014, section 297A.815, subdivision 3, is amended to read:

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

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

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

~~(1) $9,000,000 annually until January 1, 2015, and 50 percent annually thereafter~~ to the county state-aid highway fund.

(c) Notwithstanding any other law to the contrary, the commissioner of transportation shall allocate the funds transferred under ~~this clause~~ paragraph (b) to the counties in the metropolitan area, as defined in section 473.121, subdivision 4, ~~excluding the counties of Hennepin and Ramsey,~~ so that each county shall receive of such amount the percentage that its population, as defined in section 477A.011, subdivision 3, estimated or established by July 15 of the year prior to the current calendar year, bears to the total population of the counties receiving funds under this clause~~; and~~

~~(2) the remainder to the greater Minnesota transit account~~. For the purposes of the calculation in this paragraph, the population of Hennepin County shall first be multiplied by 0.25, and the population of Ramsey County shall first be multiplied by 0.5.

(d) The revenues transferred under this subdivision do not include the revenues, including interest and penalties, generated by the sales tax imposed under section 297A.62, subdivision 1a, which must be deposited as provided under the Minnesota Constitution, article XI, section 15.

EFFECTIVE DATE. Paragraphs (a) through (c) are effective January 1, 2016, and paragraph (d) is effective the day following final enactment.

Sec. 12. Minnesota Statutes 2014, section 297B.09, subdivision 1, is amended to read:

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

(b) ~~60~~ 58 percent of the money collected and received must be deposited in the highway user tax distribution fund, ~~36~~ 34 percent must be deposited in the metropolitan area transit account under section 16A.88, and ~~four~~ eight percent must be deposited in the greater Minnesota transit account under section 16A.88.

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

Sec. 13. **GREATER MINNESOTA TRANSIT APPROPRIATION.**

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

Sec. 14. **REPEALER.**

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

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

ARTICLE 6

RAILROAD RECODIFICATION

Section 1. Minnesota Statutes 2014, section 270.80, subdivision 1, is amended to read:

Subdivision 1. **Applicability.** The following words and phrases when used in sections ~~270.80~~ 273.3712 to ~~270.87~~ 273.3719, unless the context clearly indicates otherwise, have the meanings ascribed to them in this section.

EFFECTIVE DATE. This section is effective for assessment year 2016 and thereafter.

Sec. 2. Minnesota Statutes 2014, section 270.80, subdivision 2, is amended to read:

Subd. 2. **Railroad company.** "Railroad company" means:

(1) any company which as a common carrier operates a railroad or a line or lines of ~~railway~~ railroad situated within or partly within Minnesota; or

(2) any company owning or operating, other than as a common carrier, a railway principally used for transportation of taconite concentrates from the plant at which the taconite concentrates are produced in shipping form to a point of consumption or port for shipment beyond the state; or

(3) any company that produces concentrates from taconite and transports that taconite in the course of the concentrating process and before the concentrating process is completed to a concentrating plant located within the state over a railroad that is not a common carrier and ~~shall~~ does not use a common carrier or taconite railroad company as defined in clause (2) for the movement of the concentrate to a point of consumption or port for shipment beyond the state.

EFFECTIVE DATE. This section is effective for assessment year 2016 and thereafter.

Sec. 3. Minnesota Statutes 2014, section 270.80, subdivision 3, is amended to read:

Subd. 3. **Operating property.** "Operating property" means all property owned or used by a railroad company in the performance of railroad transportation services, including ~~without limitation franchises, rights-of-way, bridges, trestles, shops, docks, wharves, buildings and structures~~, but not limited to, roads, locomotives, freight cars, and improvements on leased property. Operating property is listed and assessed by the commissioner where the property is located.

EFFECTIVE DATE. This section is effective for assessment year 2016 and thereafter.

Sec. 4. Minnesota Statutes 2014, section 270.80, subdivision 4, is amended to read:

Subd. 4. **Nonoperating property.** "Nonoperating property" means ~~and includes~~ all property other than property defined in subdivision 3. Nonoperating property ~~shall include~~ includes real property ~~which~~ that is leased or rented or available for lease or rent to any person ~~which~~ that is not a railroad company. Vacant land shall be presumed to be available for lease or rent if it has not been used as operating property for a period of one year immediately preceding the valuation date. Nonoperating property also includes land ~~which~~ that is not necessary and integral to the performance of railroad transportation services and ~~which~~ that is not used on a regular and continual basis in the performance of these services. Nonoperating property also includes that portion of a ~~general~~ corporation office building and its proportionate share of land ~~which~~ that is not used for ~~railway~~ railroad operation or purpose. Nonoperating property is assessed by the local or county assessor.

EFFECTIVE DATE. This section is effective for assessment year 2016 and thereafter.

Sec. 5. Minnesota Statutes 2014, section 270.80, is amended by adding a subdivision to read:

Subd. 6. **Company.** "Company" means any corporation, limited liability company, association, partnership, trust, estate, fiduciary, public or private organization of any kind, or any other legal entity.

EFFECTIVE DATE. This section is effective for assessment year 2016 and thereafter.

Sec. 6. Minnesota Statutes 2014, section 270.80, is amended by adding a subdivision to read:

Subd. 7. **Unit value.** "Unit value" means the value of the whole integrated system of a railroad company operating as a going concern without regard to the value of its component parts.

EFFECTIVE DATE. This section is effective for assessment year 2016 and thereafter.

Sec. 7. Minnesota Statutes 2014, section 270.80, is amended by adding a subdivision to read:

Subd. 8. **Book depreciation.** "Book depreciation" means the accumulated depreciation shown by a railroad company on its books or allowed to the company by the Surface Transportation Board.

EFFECTIVE DATE. This section is effective for assessment year 2016 and thereafter.

Sec. 8. Minnesota Statutes 2014, section 270.80, is amended by adding a subdivision to read:

Subd. 9. **Equalization.** "Equalization" means the adjustment of the estimated value of railroad operating property to the apparent sales ratio of commercial and industrial property.

EFFECTIVE DATE. This section is effective for assessment year 2016 and thereafter.

Sec. 9. Minnesota Statutes 2014, section 270.80, is amended by adding a subdivision to read:

Subd. 10. **Exempt property.** "Exempt property" means property which is nontaxable for ad valorem tax purposes under Minnesota Statutes, including personal property exempt from taxation under chapter 272.

EFFECTIVE DATE. This section is effective for assessment year 2016 and thereafter.

Sec. 10. Minnesota Statutes 2014, section 270.80, is amended by adding a subdivision to read:

Subd. 11. **Original cost.** "Original cost" means the amount paid for an asset by the current owner as recorded on the railroad's books or allowed by the Surface Transportation Board.

EFFECTIVE DATE. This section is effective for assessment year 2016 and thereafter.

Sec. 11. Minnesota Statutes 2014, section 270.80, is amended by adding a subdivision to read:

Subd. 12. **System.** "System" means the total property, real and personal, of a railroad, that is used in its railroad operations.

EFFECTIVE DATE. This section is effective for assessment year 2016 and thereafter.

Sec. 12. Minnesota Statutes 2014, section 270.80, is amended by adding a subdivision to read:

Subd. 14. **Minnesota allocated value.** "Minnesota allocated value" means the value of a railroad company's operating property that is assigned to Minnesota for tax purposes.

EFFECTIVE DATE. This section is effective for assessment year 2016 and thereafter.

Sec. 13. Minnesota Statutes 2014, section 270.81, subdivision 1, is amended to read:

Subdivision 1. **Valuation of operating property.** The operating property of every railroad company doing business in Minnesota shall be valued by the commissioner in the manner prescribed by sections ~~270.80~~ 273.3712 to ~~270.87~~ 273.3719.

EFFECTIVE DATE. This section is effective for assessment year 2016 and thereafter.

Sec. 14. Minnesota Statutes 2014, section 270.81, subdivision 3, is amended to read:

Subd. 3. **Determination of type of property.** (a) The commissioner ~~shall have~~ has exclusive primary jurisdiction to determine ~~what~~ whether railroad property is operating property ~~and what is~~ or nonoperating property. In making ~~such~~ the determination, the commissioner ~~shall~~ may solicit information and opinions from outside the department and afford all interested persons an opportunity to submit data or views on the subject in writing or orally.

(b) Local and county assessors may submit written requests to the commissioner, asking for a determination of ~~the nature of specific~~ whether property owned by a railroad and located within their assessing jurisdiction is operating or nonoperating. ~~Any determination made by the commissioner may be appealed by the assessor to the Tax Court pursuant to chapter 271.~~ The requests must be submitted by April 1 of the assessing year. The commissioner must send the assessor a written determination by May 1. Assessors may appeal determinations made by the commissioner to the Tax Court pursuant to chapter 271.

EFFECTIVE DATE. This section is effective for assessment year 2016 and thereafter.

Sec. 15. Minnesota Statutes 2014, section 270.81, is amended by adding a subdivision to read:

Subd. 6. **Deduction for nonoperating and exempt property.** Property that was part of the system, but is nonoperating property, or that is exempt from ad valorem taxation, is excluded from the Minnesota allocated value under section 273.3718, subdivision 1a. Only qualifying property located in Minnesota may be deducted from the Minnesota allocated value. The commissioner must deduct the market value of the property to be excluded. This must be calculated by multiplying the book value of the property by the market-to-book ratio of the unit. The company has the burden of proof to establish that property should be excluded from the Minnesota allocated value. The railroad company must submit schedules of exempt or nonoperating property as the commissioner may require. The remaining amount after this deduction is the Minnesota apportionable market value.

EFFECTIVE DATE. This section is effective for assessment year 2016 and thereafter.

Sec. 16. Minnesota Statutes 2014, section 270.82, is amended to read:

270.82 REPORTS OF RAILROAD COMPANIES.

Subdivision 1. **Annual report required.** Before March 31, every railroad company doing business in Minnesota ~~shall annually~~ must file with the commissioner ~~on or before March 31 a~~ an annual report under oath setting forth the information prescribed by the commissioner to enable the commissioner to make the valuation and equalization required by sections ~~270.80~~ 273.3712 to ~~270.87.~~ 273.3719. The commissioner shall prescribe the content, format, and manner of the report pursuant to section 270C.30. If a report is made by electronic means, the taxpayer's signature is defined pursuant to section 270C.304, except that a "law administered by the commissioner" includes the property tax laws.

Subd. 2. **Extension of time.** If the commissioner ~~for good~~ determines that there is reasonable cause, the commissioner may extend the time for filing the report required by subdivision 1 for up to 15 days ~~the time for filing the report required by subdivision 1~~.

Subd. 3. **Amended reports.** A railroad company may file an amended report to correct or add information to the original report. Amended reports must be filed with the commissioner by April 30.

Subd. 4. **Failure to file reports.** (a) The commissioner may make the valuation provided for by sections 273.3712 to 237.3719, according to the commissioner's best judgment based on available information, if any railroad company does not:

(1) make the report required by this section;

(2) permit an inspection and examination of its property, records, books, accounts, or other papers when requested by the commissioner; or

(3) appear before the commissioner or a person appointed under section 273.3715, when required to do so.

(b) If the commissioner makes the valuation pursuant to paragraph (a), the commissioner's valuation is final. Notwithstanding any other law to the contrary, the commissioner's valuation made pursuant to this subdivision is not appealable administratively.

EFFECTIVE DATE. This section is effective for assessment year 2016 and thereafter.

Sec. 17. Minnesota Statutes 2014, section 270.83, subdivision 1, is amended to read:

Subdivision 1. **Powers of commissioner.** The commissioner ~~shall have~~ has the power to examine or cause to be examined any books, papers, records, or memoranda relevant to the determination of the valuation of operating property ~~as herein provided~~. The commissioner ~~shall have the further power to~~ may require the attendance of any person having knowledge or information ~~in the premises~~ concerning the valuation of the operating property, ~~to~~ compel the production of books, papers, records, or memoranda by persons so required to attend, ~~to~~ take testimony on matters material to ~~such determination~~ determine the valuation of operating property and administer oaths or affirmations.

EFFECTIVE DATE. This section is effective for assessment year 2016 and thereafter.

Sec. 18. Minnesota Statutes 2014, section 270.83, subdivision 2, is amended to read:

Subd. 2. **Appointment of persons; subpoenas.** ~~For the purpose of making such examinations,~~ The commissioner may appoint such persons as the commissioner ~~may deem~~ deems necessary to make the examinations described in subdivision 1. ~~Such persons shall have the rights and powers of the examining of~~ Persons appointed may examine books, papers, records or memoranda, ~~and of subpoenaing~~ subpoena witnesses, ~~administering~~ administer oaths and affirmations, and ~~taking of~~ take testimony~~, which are conferred upon the commissioner hereby~~. The court administrator of any court of record, upon demand of any ~~such~~ person appointed, shall issue a subpoena for the attendance of any witness or the production of any books, papers, records, or memoranda before such person. The commissioner may also issue subpoenas for the appearance of witnesses ~~before the commissioner or before such persons. Disobedience of subpoenas so issued shall be punished by the district court of the district in which the subpoena is issued for a contempt of the district court~~. Failure to comply with a subpoena shall be punished in the same manner as contempt of the district court.

EFFECTIVE DATE. This section is effective for assessment year 2016 and thereafter.

Sec. 19. Minnesota Statutes 2014, section 270.84, is amended to read:

270.84 ANNUAL VALUATION OF OPERATING PROPERTY.

Subdivision 1. **Annual valuation; rules.** (a) Before July 1, the commissioner ~~shall annually between March 31 and May 31 make a determination of~~ must determine the ~~fair~~ market value of the operating property of every railroad company doing business in this state as of January 2 of the year in which the valuation is made. ~~In making this determination,~~ The commissioner ~~shall~~ must employ generally accepted appraisal principles and practices which may include the unit method of determining value~~.~~, and approaches approved by the Western States Association of Tax Administrators, National Conference of Unit Valuation States, and the International Association of Assessing Officers.

(b) The unit value of railroad property is the reconciled value considering the cost, income, and market approaches under subdivisions 1a, 1b, and 1c. Each approach must be weighted in accordance with the reliability of the information and the commissioner's judgment.

Subd. 1a. **Cost approach.** (a) The commissioner may use the cost approach, including but not limited to original cost less book depreciation and replacement cost less depreciation.

(b) Book depreciation is allowed as a deduction from an original cost model. Book depreciation is assumed to include all forms of appraisal depreciation.

(c) Explicitly calculated appraisal depreciation, including physical, functional, and external obsolescence, is allowed as a deduction from the replacement cost model.

Subd. 1b. **Income approach.** (a) The commissioner may use the income approach, including but not limited to direct capitalization models and yield capitalization models.

(b) The yield rate is calculated using market data on selected comparable companies in the band of investment method.

(1) Discounted cash flows is a yield capitalization model that calculates the present value of explicit cash flow forecasts capitalized using the yield rate, plus revision to stable growth yield capitalization after the period of explicit forecasts.

(2) Stable growth yield capitalization is a yield capitalization model that calculates the present value of anticipated future cash flows, capitalized using the yield rate and considering growth.

(c) Direct capitalization is the expected net operating income for the following year, divided by the direct capitalization rate. The direct capitalization rate is calculated by using direct market observations from comparable sales or using market earning-to-price information in the band of investment method.

Subd. 1c. **Market approach.** The commissioner may use the market approach, including but not limited to a sales comparison model, a stock and debt model, or other market models that are available and reliable.

Subd. 2. **Notice.** The commissioner, after determining the ~~fair~~ market value of the operating property of each railroad company, ~~shall give notice to~~ must notify the railroad company of the valuation ~~by first class mail, overnight delivery, or messenger service~~.

EFFECTIVE DATE. This section is effective for assessment year 2016 and thereafter.

Sec. 20. Minnesota Statutes 2014, section 270.86, is amended to read:

270.86 APPORTIONMENT AND EQUALIZATION OF VALUATION.

Subdivision 1. **Apportionment of value.** ~~Upon determining~~ After allocating to Minnesota the ~~fair~~ market value of the operating property of each railroad company, the commissioner ~~shall~~ must apportion ~~such~~ the value to ~~the respective counties and to the taxing districts therein in conformity with fair and reasonable rules and standards to be established by the commissioner pursuant to notice and hearing, except as provided in section 270.81. In establishing such rules and standards the commissioner may consider~~

~~(a) the physical situs of all station houses, depots, docks, wharves, and other buildings and structures with an original cost in excess of $10,000; (b) the proportion that the length and type of all the tracks used by the railroad in such county and taxing district bears to the length and type of all the track used in the state; and (c) other facts as will result in a fair and equitable apportionment of value~~ the operating parcels in Minnesota.

The apportioned market value of each company's operating parcel in Minnesota is the current original cost of each parcel as of the last assessment date plus original cost of new construction minus the original cost of property retired since the last assessment date. The total Minnesota apportionable market value of the railroad is divided by the total current original cost of the railroad in Minnesota to determine a percentage. The resulting percentage is multiplied by the current original cost of each parcel to determine the apportioned market value of each parcel.

Subd. 1a. **Allocation of value.** (a) After the market value of operating property has been estimated, the portion of value that is attributable to Minnesota must be determined by calculating an allocation percentage using factors relevant to the industry segment of the railroad company. The allocation percentage must be multiplied by the value of the operating property to determine the Minnesota allocated value.

(b) The Minnesota allocated value is determined by averaging the following factors:

(1) miles of railroad track operated in Minnesota divided by miles of railroad track operated in all states;

(2) ton miles of revenue freight transported in Minnesota divided by ton miles of revenue freight transported in all states;

(3) gross revenues from transportation operations within Minnesota divided by gross revenues from transportation operations in all states; and

(4) cost of railroad property in Minnesota divided by cost of railroad property in all states.

(c) Each of the available factors must be weighted equally.

Subd. 2. **Equalized valuation.** After making the apportionment provided in subdivision 1, the commissioner ~~shall~~ must determine the equalized valuation of the operating property in each county by applying to the apportioned value an estimated current year median sales ratio for all commercial and industrial property in that county. If the commissioner ~~decides~~ determines that there are insufficient sales to determine a median commercial-industrial sales ratio, an estimated current year countywide median sales ratio for all property ~~shall~~ must be applied to the apportioned value. ~~No equalization shall~~ Equalization must not be made to the market value of the operating property if the median sales ratio determined pursuant to this subdivision is ~~within five~~ at least 90 but less than 105 percent of the assessment ratio of the railroad operating property.

EFFECTIVE DATE. This section is effective for assessment year 2016 and thereafter.

Sec. 21. Minnesota Statutes 2014, section 270.87, is amended to read:

270.87 CERTIFICATION TO COUNTY ASSESSORS.

~~After making an annual determination of the equalized fair market value of the operating property of each company in each of the respective counties, and in the taxing districts therein,~~ The commissioner ~~shall~~ must certify the equalized ~~fair~~ market value of the operating property to the county assessor ~~on or~~ before ~~June 30~~ August 1. The equalized ~~fair~~ market value of the operating property of the railroad company in the county and the taxing districts therein is the value on which taxes must be levied and collected in the same manner as on the commercial and industrial property ~~of such county and the taxing districts therein~~ in the counties and taxing districts. If the commissioner determines that the equalized ~~fair~~ market value certified ~~on or~~ before ~~June 30~~ August 1 is in error, the commissioner may issue a corrected certification ~~on or~~ before ~~August 31~~ October 1. The commissioner may correct errors that are merely clerical in nature until December 31.

EFFECTIVE DATE. This section is effective for assessment year 2016 and thereafter.

Sec. 22. Minnesota Statutes 2014, section 272.02, subdivision 9, is amended to read:

Subd. 9. **Personal property; exceptions.** Except for the taxable personal property enumerated below, all personal property and the property described in section 272.03, subdivision 1, paragraphs (c) and (d), shall be exempt.

The following personal property shall be taxable:

(a) personal property which is part of an electric generating, transmission, or distribution system or a pipeline system transporting or distributing water, gas, crude oil, or petroleum products or mains and pipes used in the distribution of steam or hot or chilled water for heating or cooling buildings and structures;

(b) ~~railroad docks and wharves which are part of the~~ personal property that is part of the operating property of a railroad company as defined in section ~~270.80~~ 273.3712;

(c) personal property defined in section 272.03, subdivision 2, clause (3);

(d) leasehold or other personal property interests which are taxed pursuant to section 272.01, subdivision 2; 273.124, subdivision 7; or 273.19, subdivision 1; or any other law providing the property is taxable as if the lessee or user were the fee owner;

(e) manufactured homes and sectional structures, including storage sheds, decks, and similar removable improvements constructed on the site of a manufactured home, sectional structure, park trailer or travel trailer as provided in section 273.125, subdivision 8, paragraph (f); and

(f) flight property as defined in section 270.071.

EFFECTIVE DATE. This section is effective for assessment year 2016 and thereafter.

Sec. 23. Minnesota Statutes 2014, section 275.025, subdivision 1, is amended to read:

Subdivision 1. **Levy amount.** The state general levy is levied against commercial-industrial property and seasonal residential recreational property, as defined in this section. The state general levy base amount is ~~$592,000,000~~ $889,600,000 for taxes payable in ~~2002~~ 2016. For taxes payable in subsequent years, the levy base amount is increased each year by multiplying the levy base amount for the prior year by the sum of one plus the rate of increase, if any, in the implicit price deflator for government consumption expenditures and gross investment for state and local governments prepared by the Bureau of Economic Analysts of the United States Department of Commerce for the 12-month period ending March 31 of the year prior to the year the taxes are payable. The tax under this section is not treated as a local tax rate under section 469.177 and is not the levy of a governmental unit under chapters 276A and 473F.

The commissioner shall increase or decrease the preliminary or final rate for a year as necessary to account for errors and tax base changes that affected a preliminary or final rate for either of the two preceding years. Adjustments are allowed to the extent that the necessary information is available to the commissioner at the time the rates for a year must be certified, and for the following reasons:

(1) an erroneous report of taxable value by a local official;

(2) an erroneous calculation by the commissioner; and

(3) an increase or decrease in taxable value for commercial-industrial or seasonal residential recreational property reported on the abstracts of tax lists submitted under section 275.29 that was not reported on the abstracts of assessment submitted under section 270C.89 for the same year.

The commissioner may, but need not, make adjustments if the total difference in the tax levied for the year would be less than $100,000.

EFFECTIVE DATE. This section is effective for assessment year 2016 and thereafter.

Sec. 24. Minnesota Statutes 2014, section 275.025, subdivision 4, is amended to read:

Subd. 4. **Apportionment and levy of state general tax.** ~~Ninety-five~~ 95.1 percent of the state general tax must be levied by applying a uniform rate to all commercial-industrial tax capacity and ~~five~~ 4.9 percent of the state general tax must be levied by applying a uniform rate to all seasonal residential recreational tax capacity. On or before October 1 each year, the commissioner of revenue shall certify the preliminary state general levy rates to each county auditor that must be used to prepare the notices of proposed property taxes for taxes payable in the following year. By January 1 of each year, the commissioner shall certify the final state general levy rate to each county auditor that shall be used in spreading taxes.

EFFECTIVE DATE. This section is effective for assessment year 2016 and thereafter.

Sec. 25. **APPROPRIATIONS.**

The following sums are appropriated from the general fund to the agency to implement the provisions of this article as follows: $266,000 in fiscal year 2016, $14,000 in fiscal year 2017, $13,000 in fiscal year 2018, and $11,000 in fiscal year 2019. The sums indicated in this section for fiscal years 2016, 2017, and 2018 are onetime appropriations and are not added to the agency's permanent base. The sum indicated in this section for fiscal year 2019 shall become part of the agency's base.

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

Sec. 26. **REVISOR'S INSTRUCTION.**

The revisor of statutes shall renumber the provisions of Minnesota Statutes listed in column A to the references listed in column B. The revisor shall also make necessary cross-reference changes in Minnesota Statutes and Minnesota Rules consistent with renumbering.

Column A	Column B
270.80	273.3712
270.81	273.3713

270.82	273.3714
270.83	273.3715
270.84	273.3716
270.85	273.3717
270.86	273.3718
270.87	273.3719

EFFECTIVE DATE. This section is effective for assessment year 2016 and thereafter.

Sec. 27. **REPEALER.**

Minnesota Statutes 2014, sections 270.81, subdivision 4; and 270.83, subdivision 3, and Minnesota Rules, parts 8106.0100, subparts 1, 2, 3, 4, 5, 6, 7, 8, 10, 12, 13, 14, 17, 17a, 18, 19, 20, and 21; 8106.0300, subparts 1 and 3; 8106.0400; 8106.0500; 8106.0600; 8106.0700; 8106.0800; and 8106.9900, are repealed.

EFFECTIVE DATE. This section is effective for assessment year 2016 and thereafter.

ARTICLE 7

EFFICIENCY MEASURES

Section 1. Minnesota Statutes 2014, section 16E.15, subdivision 2, is amended to read:

Subd. 2. **Software sale fund.** (a) Except as provided in ~~paragraph~~ paragraphs (b) and (c), proceeds ~~of~~ from the sale or licensing of software products or services by the chief information officer must be credited to the MN.IT services revolving fund. If a state agency other than the Office of MN.IT Services has contributed to the development of software sold or licensed under this section, the chief information officer may reimburse the agency by discounting computer services provided to that agency.

(b) Proceeds ~~of~~ from the sale or licensing of software products or services developed by the Pollution Control Agency, or custom developed by a vendor for the agency, must be credited to the environmental fund.

(c) Proceeds from the sale or licensing of software products or services developed by the Department of Transportation, or custom developed by a vendor for the agency, using trunk highway funds, must be credited to the trunk highway fund.

Sec. 2. Minnesota Statutes 2014, section 161.20, is amended by adding a subdivision to read:

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

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

Sec. 3. **[161.225] LOANS FOR LAND ACQUISITION FOR HIGHWAY PROJECTS.**

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

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

(b) The commissioner shall make loans only to:

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

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

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

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

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

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

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

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

(b) The commissioner may make loans only when:

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

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

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

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

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

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

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

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

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

Sec. 4. Minnesota Statutes 2014, section 161.231, is amended to read:

161.231 APPROPRIATION; PROCEEDS FROM ~~LEASED~~ STATE PROPERTY.

There is appropriated annually from the fund or account in the state treasury to which the ~~rental~~ money from the sale, lease, conveyance, or disposal of state ~~leased~~ property is credited a sufficient amount of money to carry out the state's obligations under the provisions of sections 15.16, 117.135, 117.226, 161.16, 161.202, 161.23, subdivision 3, 161.24, 161.241, 161.43, 161.433, 161.44, 161.442, and 272.68, subdivision 3, including the inventorying, marketing, and property management activities required to sell, lease, rent, permit, convey, or otherwise dispose of the land or the interest in the land. At the discretion of the commissioner of transportation, money in the account at the end of each biennium may cancel to the trunk highway fund.

Sec. 5. Minnesota Statutes 2014, section 161.46, subdivision 2, is amended to read:

Subd. 2. **Relocation of facilities; reimbursement.** (a) Whenever the commissioner shall determine the relocation of any utility facility is necessitated by the construction of a project on the routes of federally aided state trunk highways, including urban extensions thereof, which routes are included within the National System of Interstate Highways, the owner or operator of such utility facility shall relocate the same in accordance with the order of the commissioner. After the completion of such relocation the cost thereof shall be ascertained and paid by the state out of trunk highway funds; provided, however, the amount to be paid by the state for such reimbursement shall not exceed the amount on which the federal government bases its reimbursement for said interstate system.

(b) Notwithstanding paragraph (a), any utility facility installed after August 1, 2015, is not eligible for relocation reimbursement.

Sec. 6. Minnesota Statutes 2014, section 168.013, subdivision 8, is amended to read:

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

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

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

Sec. 7. Minnesota Statutes 2014, section 168.31, is amended by adding a subdivision to read:

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

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

Sec. 8. **[174.53] FEDERAL FUND FLEXIBILITY PROGRAM.**

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

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

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

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

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

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

Sec. 9. Minnesota Statutes 2014, section 299D.09, is amended to read:

299D.09 ESCORT SERVICE; APPROPRIATION; RECEIPTS.

(a) Fees charged for escort services provided by the State Patrol are annually appropriated to the commissioner of public safety to administer and provide these services.

(b) The fee charged for services provided by the State Patrol ~~with a vehicle is $79.28 an hour. The fee charged for services provided without a vehicle is $59.28 an hour~~ shall be set to recover actual costs as determined by the commissioner of public safety by July 1 each year.

(c) The fees charged for State Patrol flight services are $140 an hour for a fixed wing aircraft, $490 an hour for a helicopter, and $600 an hour for the Queen Air in fiscal year 2012; and $139.64 an hour for a fixed wing aircraft, $560.83 an hour for a helicopter, and $454.84 an hour for the Queen Air in fiscal year 2013 and thereafter.

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

Sec. 10. Minnesota Statutes 2014, section 360.024, is amended to read:

360.024 AIR TRANSPORTATION SERVICE CHARGE.

The commissioner shall charge users of air transportation services provided by the commissioner for direct operating costs, excluding pilot salary ~~and aircraft acquisition~~ costs. All receipts for these services shall be deposited in the air transportation services account in the state airports fund and are appropriated to the commissioner to pay these direct air service operating costs.

Sec. 11. Minnesota Statutes 2014, section 473.167, is amended to read:

473.167 HIGHWAY AND TRANSIT PROJECTS.

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

(b) The council shall make loans only:

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

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

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

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

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

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

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

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

(b) The council may make loans only when:

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

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

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

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

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

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

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

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

Subd. 3. **Tax.** The council may levy a tax on all taxable property in the metropolitan area, as defined in section 473.121, to provide funds for loans made pursuant to subdivisions 2 and 2a. This tax for the right-of-way acquisition loan fund shall be certified by the council, levied, and collected in the manner provided by section 473.13. The tax shall be in addition to that authorized by section 473.249 and any other law and shall not affect the amount or rate of taxes which may be levied by the council or any metropolitan agency or local governmental unit. The amount of the levy shall be as determined and certified by the council, provided that the tax levied by the Metropolitan Council for the right-of-way acquisition loan fund shall not exceed ~~$2,828,379 for taxes payable in 2004 and $2,828,379 for taxes payable in 2005. The amount of the levy for taxes payable in 2006 and subsequent years shall not exceed~~ the product of (1) the Metropolitan Council's property tax levy limitation under this subdivision for the previous year, multiplied by (2) one plus a percentage equal to the growth in the implicit price deflator as defined in section 275.70, subdivision 2.

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

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

Sec. 12. Laws 2014, chapter 312, article 11, section 33, is amended to read:

Sec. 33. **TRANSPORTATION EFFICIENCIES.**

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

(b) The commissioner shall identify in the report those recommendations from the Transportation Strategic Management and Operations Advisory Task Force Report dated January 23, 2009, submitted to the legislature by the Departments of Administration and Transportation, as required by Laws 2008, chapter 152, article 6, section 9, that the commissioner has implemented, with a description of current status of the recommendation and results of implementation.

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

Sec. 13. **APPROPRIATION.**

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

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

ARTICLE 8

TRANSPORTATION POLICY

Section 1. Minnesota Statutes 2014, section 161.088, subdivision 3, is amended to read:

Subd. 3. **Project classification.** The commissioner shall determine whether each candidate project can be classified into at least one of the following classifications:

(1) capacity development, for a project on a segment of a trunk highway where the segment:

(i) is not a divided highway, and that highway is an expressway or freeway beyond the project limits;

(ii) contains a highway terminus that lacks an intersection or interchange with another trunk highway;

(iii) contains fewer lanes of travel compared to that highway beyond the project limits; or

(iv) contains a location that is proposed as a new interchange or to be reconstructed from an intersection to an interchange; ~~or~~

(2) freight improvement, for an asset preservation or replacement project that can result in:

(i) removing or reducing barriers to commerce;

(ii) easing or preserving freight movement;

(iii) supporting emerging industries; or

(iv) providing connections between the trunk highway system and other transportation modes for the movement of freight; or

(3) main street improvement, for a project on a segment of trunk highway passing through a city center, in order to:

(i) restore or improve economic vitality; and

(ii) improve safety for all road users.

Sec. 2. Minnesota Statutes 2014, section 161.088, subdivision 4, is amended to read:

Subd. 4. **Project eligibility.** (a) The commissioner shall establish eligibility requirements for projects that can be funded under the program. Eligibility must include:

(1) consistency with the statewide multimodal transportation plan under section 174.03;

(2) location of the project on an interregional corridor, for a project located outside of the Department of Transportation metropolitan district, or within a city;

(3) placement into at least one project classification under subdivision 3;

(4) a maximum length of time, as determined by the commissioner, until commencement of construction work on the project; and

(5) for each type of project classification under subdivision 3, a maximum allowable amount for the total project cost estimate, as determined by the commissioner with available data.

(b) A project whose construction is programmed in the state transportation improvement program is not eligible for funding under the program. This paragraph does not apply to a project that is programmed as result of selection under this section.

(c) A project may be, but is not required to be, identified in the 20-year state highway capital investment plan under section 174.03.

Sec. 3. Minnesota Statutes 2014, section 161.088, subdivision 5, is amended to read:

Subd. 5. **Project selection process; criteria.** (a) The commissioner shall establish a process for identification, evaluation, and selection of projects under the program.

(b) As part of the project selection process, the commissioner shall annually accept recommendations on candidate projects from area transportation partnerships and other interested stakeholders in each Department of Transportation district. For each candidate project identified under this paragraph, the commissioner shall determine eligibility, classify, and if appropriate, evaluate the project for the program.

(c) Project evaluation and prioritization must be performed on the basis of objective criteria, which must include:

(1) a return on investment measure that provides for comparison across eligible projects;

(2) measurable impacts on commerce and economic competitiveness;

(3) efficiency in the movement of freight, including but not limited to:

(i) measures of annual average daily traffic and commercial vehicle miles traveled, which may include data near the project location on that trunk highway or on connecting trunk and local highways; and

(ii) measures of congestion or travel time reliability, which may be within or near the project limits, or both;

(4) improvements to traffic safety for all road users;

(5) connections ~~to~~ between and within regional trade centers~~,~~ and connections with local highway systems, and other transportation modes;

(6) the extent to which the project addresses multiple transportation system policy objectives and principles; and

(7) support and consensus for the project among members of the surrounding community.

(d) As part of the project selection process, the commissioner may divide funding to be separately available among projects within each classification under subdivision 3, and may apply separate or modified criteria among those projects falling within each classification.

Sec. 4. <u>**[161.317] MADE IN AMERICA.**</u>

<u>In all highway construction and maintenance projects, the commissioner shall, to the greatest extent feasible, utilize products, materials, and equipment that are made in America and shall include this requirement in the department's contract specifications.</u>

Sec. 5. Minnesota Statutes 2014, section 168.053, subdivision 1, is amended to read:

Subdivision 1. **Application; fee; penalty.** Any person, firm, or corporation <u>with a business located in Minnesota</u> engaged in the business of transporting motor vehicles owned by another, by delivering, by drive-away or towing methods, either singly or by means of the full mount method, the saddle mount method, the tow bar method, or any other combination thereof, and under their own power, vehicles over the highways of the state from the manufacturer or any other point of origin, to any point of destination, within or without the state, shall make application to the registrar for a drive-away in-transit license. This application for annual license shall be accompanied by a registration fee of $250 and contain information the registrar may require. Upon the filing of the application and the payment of the fee, the registrar shall issue to each drive-away operator a drive-away in-transit license plate, which must be carried and displayed on the power unit consistent with section 169.79 and the plate shall remain on the vehicle while being ~~operated within Minnesota~~ <u>transported</u>. The license plate issued under this subdivision is not valid for the purpose of permanent vehicle registration ~~and is not valid outside Minnesota~~. Additional drive-away in-transit license plates desired by any drive-away operator may be secured from the registrar of motor vehicles upon the payment of a fee of $5 for each set of additional license plates. Any person, firm, or corporation engaging in the business as a drive-away operator, of transporting and delivering by means of full mount method, the saddle mount method, the tow bar method, or any combination thereof, and under their own power, motor vehicles, who fails or refuses to file or cause to be filed an application, as is required by law, and to pay the fees therefor as the law requires, shall be found guilty of violating the provisions of sections 168.053 to 168.057; and, upon conviction, fined not less than $50, and not more than $100, and all costs of court. Each day so operating without securing the license and plates as required shall constitute a separate offense.

Sec. 6. Minnesota Statutes 2014, section 168D.06, is amended to read:

168D.06 FUEL LICENSE FEES.

License fees paid to the commissioner under the International Fuel Tax Agreement must be deposited in the vehicle services operating account in the special revenue fund under section 299A.705. The commissioner shall charge an annual fuel license fee of $15, ~~and~~ an annual application filing fee of $13 for quarterly reporting of fuel tax, and a reinstatement fee of $100 to reinstate a revoked International Fuel Tax Agreement license.

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

Sec. 7. Minnesota Statutes 2014, section 174.03, subdivision 10, is amended to read:

Subd. 10. **Highway construction training; report.** (a) The commissioner of transportation shall utilize the maximum feasible amount of all federal funds available to this state under United States Code, title 23, section 140, paragraph (b), to develop, conduct, and administer highway construction training, including skill improvement programs.

(b) The commissioner of transportation must report by February 1 of each ~~odd-numbered~~ year to the house of representatives and senate committees having jurisdiction over transportation policy and finance concerning the commissioner's compliance with paragraph (a). The report must, with respect to ~~each of~~ the ~~two~~ previous calendar ~~years~~ year:

(1) describe the highway construction training and skill improvement programs the commissioner has conducted and administered;

(2) analyze the results of the commissioner's training programs;

(3) state the amount of federal funds available to this state under United States Code, title 23, section 140, paragraph (b); and

(4) identify the amount spent by the commissioner in conducting and administering the programs.

Sec. 8. Minnesota Statutes 2014, section 174.03, subdivision 11, is amended to read:

Subd. 11. **Disadvantaged business enterprise program; report.** (a) The commissioner shall include in each contract that is funded at least in part by federal funds, a sanction for each contractor who does not meet the established project disadvantaged business enterprise goal or demonstrate good-faith effort to meet the goal.

(b) The commissioner of transportation shall report by February 1 of each ~~odd-numbered~~ year to the house of representatives and senate committees having jurisdiction over transportation policy and finance concerning the commissioner's disadvantaged business enterprise program. The report must, with respect to ~~each of~~ the ~~two~~ previous calendar ~~years~~ year:

(1) state the department's annual overall goal, compared with the percentage attained;

(2) explain the methodology, applicable facts, and public participation used to establish the overall goal;

(3) describe good-faith efforts to meet the goal, if the goal was not attained;

(4) describe actions to address overconcentration of disadvantaged business enterprises in certain types of work;

(5) state the number of contracts that included disadvantaged business enterprise goals, the number of contractors that met established disadvantaged business enterprise goals, and sanctions imposed for lack of good-faith effort; and

(6) describe contracts with no disadvantaged business enterprise goals, and, of those, state number of contracts and amount of each contract with targeted groups under section 16C.16.

Sec. 9. Minnesota Statutes 2014, section 174.12, subdivision 5, is amended to read:

Subd. 5. **Financial assistance; criteria.** The commissioners of transportation and employment and economic development shall establish criteria for evaluating projects for financial assistance under this section. At a minimum, the criteria must provide an objective method to prioritize and select projects on the basis of:

(1) the extent to which the project provides measurable economic benefit in accordance with the performance measures developed by the commissioner of employment and economic development under subdivision 4;

(2) consistency with relevant state and local transportation plans;

(3) the availability and commitment of funding or in-kind assistance for the project from nonpublic or nonstate sources;

(4) the need for the project as part of the overall transportation system;

(5) the extent to which completion of the project will improve the movement of people and freight; ~~and~~

(6) the extent to which the project promotes access to jobs and employment centers and connections between modes of transportation; and

~~(6)~~ (7) geographic balance as required under subdivision 7, paragraph (b).

Sec. 10. **[174.38] ACTIVE TRANSPORTATION PROGRAMS.**

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

(b) "Administering authority" or "authority" means the commissioner of transportation, the joint powers board under section 297A.992, or the council, as appropriate.

(c) "Bond-eligible cost" means:

(1) expenditures under this section for acquisition of land or permanent easements, predesign, design, preliminary and final engineering, environmental analysis, construction, and reconstruction of publicly owned infrastructure in this state with a useful life of at least ten years that provides for nonmotorized transportation;

(2) preparation of land for which a nonmotorized transportation route is established, including demolition of structures and remediation of any hazardous conditions on the land; and

(3) the unpaid principal on debt issued by a political subdivision for a nonmotorized transportation project.

(d) "Council" means the Metropolitan Council, as defined under section 473.121, subdivision 3.

Subd. 2. **Programs established.** (a) Upon availability of funds specifically provided to an administering authority for purposes of this section, the authority shall establish a program to support bicycling, pedestrian activities, and other forms of nonmotorized transportation as provided in this section.

(b) Subject to the requirements of this section, the authority may provide grants or other financial assistance for a project.

Subd. 3. **Active transportation accounts.** (a) An active transportation account is established in the bond proceeds fund. The account consists of state bond proceeds appropriated to the commissioner or the council. Money in the account may only be expended on bond-eligible costs of a project receiving financial assistance under this section. All uses of funds from the account must be for publicly owned property.

(b) A greater Minnesota active transportation account is established in the special revenue fund. The account consists of funds as provided by law, and any other money donated, allotted, transferred, or otherwise provided to the account. Money in the account may only be expended on a project that is primarily located outside of metropolitan counties, as defined in section 473.121, subdivision 4, and receiving financial assistance as provided under this section.

(c) A metropolitan area active transportation account is established in the special revenue fund. The account consists of funds as provided by law, and any other money donated, allotted, transferred, or otherwise provided to the account. Money in the account may only be expended on a project that is primarily located within metropolitan counties, as defined in section 473.121, subdivision 4, and receiving financial assistance as provided under this section.

Subd. 4. **Program administration.** (a) The authority shall establish program requirements, including:

(1) eligibility for assistance, subject to the requirements under paragraph (b);

(2) a process for solicitation and application that minimizes applicant burdens; and

(3) procedures for award and payment of financial assistance.

(b) Eligible recipients of financial assistance under this section are:

(1) a political subdivision; and

(2) a tax-exempt organization under section 501(c)(3) of the Internal Revenue Code, as amended.

(c) The authority shall make reasonable efforts to publicize each solicitation for applications among all eligible recipients, and provide assistance in creating and submitting applications.

(d) The authority may expend no more than one percent of available funds in a fiscal year under this section on program administration.

Subd. 5. **State general obligation bond funds.** Minnesota Constitution, article XI, section 5, clause (a), requires that state general obligation bonds be issued to finance only the acquisition or betterment of public land, buildings, and other public improvements of a capital nature. The legislature has determined that many nonmotorized transportation infrastructure projects will constitute betterments and capital improvements within the meaning of the Minnesota Constitution and capital expenditures under generally accepted accounting principles, and will be financed more efficiently and economically under this section than by direct appropriations for specific projects.

Subd. 6. **Use of funds.** (a) For a project funded through state bond proceeds under this section, financial assistance is limited solely to bond-eligible costs.

(b) Subject to paragraph (a), the authority shall determine permissible uses of financial assistance under this section, which must include:

(1) construction and maintenance of bicycle, trail, and pedestrian infrastructure, including but not limited to bicycle facilities and centers, and safe routes to school infrastructure; and

(2) noninfrastructure programming, including activities as specified in section 174.40, subdivision 7a, paragraph (b).

Subd. 7. **Project evaluation and selection.** The authority shall establish a project evaluation and selection process under this section that is competitive, criteria-based, and objective. The process must include criteria and prioritization of projects based on:

(1) inclusion of the project in a municipal or regional nonmotorized transportation system plan;

(2) location of the project in a jurisdiction in which a complete streets policy, as provided under section 174.75, is in effect;

(3) the extent to which the project supports development of continuous and convenient safe routes to school;

(4) the extent to which the project supports development of routes to and connections with educational facilities, centers of employment, governmental services, health care facilities, food sources, transit facilities, and other community destinations;

(5) general benefits to public health and safety as a result of the project; and

(6) geographic equity in project benefits, as well as benefits in areas or locations experiencing high rates of pedestrian or bicycle collisions, high rates of health disparities, and high concentration of poverty.

Subd. 8. **Grant cancellation.** If, five years after execution of a grant agreement, the authority determines that the grantee has not proceeded in a timely manner with implementation of the project funded, the commissioner must cancel the grant and the grantee must repay to the commissioner all grant money paid to the grantee. Section 16A.642 applies to any appropriations made from the bond proceeds fund to the commissioner under this section that have not been awarded as financial assistance.

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

Sec. 11. Minnesota Statutes 2014, section 174.42, is amended by adding a subdivision to read:

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

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

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

Sec. 12. Minnesota Statutes 2014, section 174.52, subdivision 4a, is amended to read:

Subd. 4a. **Rural road safety account; appropriation.** (a) A rural road safety account is established in the local road improvement fund. Money in the account is annually appropriated to the commissioner of transportation for expenditure as specified in this subdivision. Money in the account must be used as grants to counties to assist in paying the costs of capital improvement projects on county state-aid highways that are intended primarily to reduce traffic crashes, deaths, injuries, and property damage and improve safety for all road users.

(b) The commissioner shall establish procedures for counties to apply for grants from the rural road safety account and criteria to be used to select projects for funding. The commissioner shall establish these procedures and criteria in consultation with representatives appointed by the Association of Minnesota Counties. Eligibility for project selection must be based on the ability of each proposed project to reduce the frequency and severity of crashes.

(c) Money in the account must be allocated in each fiscal year as follows:

(1) one-third of money in the account must be used for projects in the counties of Anoka, Chisago, Carver, Dakota, Hennepin, Ramsey, Scott, and Washington; and

(2) the remainder must be used for projects elsewhere in the state.

Sec. 13. Minnesota Statutes 2014, section 174.52, subdivision 5, is amended to read:

Subd. 5. **Grant procedures and criteria.** The commissioner shall establish procedures for statutory or home rule charter cities, towns, and counties to apply for grants or loans from the fund and criteria to be used to select projects for funding.

The commissioner shall establish these procedures and criteria in consultation with representatives appointed by the Association of Minnesota Counties, League of Minnesota Cities, Minnesota Association of Townships, and the appropriate state agency as needed. The criteria for determining project priority and the amount of a grant or loan must be based upon consideration of:

(1) the availability of other state, federal, and local funds;

(2) the regional significance of the route;

(3) effectiveness of the proposed project in eliminating a transportation system deficiency and improve safety for all road users;

(4) the number of persons who will be positively impacted by the project;

(5) the project's contribution to other local, regional, or state economic development or redevelopment efforts including livestock and other agricultural operations permitted after the effective date of this section; and

(6) ability of the local unit of government to adequately provide for the safe operation and maintenance of the facility upon project completion.

Sec. 14. **[219.016] RAILROAD COMPANY ASSESSMENT; ACCOUNT; APPROPRIATION.**

(a) As provided in this section, the commissioner shall annually assess railroad companies that are (1) defined as common carriers under section 218.011; (2) classified by federal law or regulation as Class I Railroads or Class I Rail Carriers; and (3) operating in this state. The total assessment amount may not exceed $32,500,000 annually.

(b) The assessment must be by a division of the annual appropriation to the grade crossing safety improvement account in equal proportion between carriers based on route miles operated in Minnesota, assessed in equal amounts for 365 days of the calendar year.

(c) The assessments must be deposited in the rail grade crossing safety improvement account, which is created in the special revenue fund. Money in the account is appropriated to the commissioner for the development, administration, and construction of highway-rail grade crossing improvements on rail corridors transporting crude oil, and other selected routes, including those carrying hazardous materials. Improvements may include upgrades to existing protection systems, the closing of crossings and necessary roadwork, and reconstruction of at-grade crossings to full grade separations. Funds in the account are available until expended.

Sec. 15. Minnesota Statutes 2014, section 222.50, subdivision 7, is amended to read:

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

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

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

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

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

(5) to provide for aerial photography survey of proposed and abandoned railroad tracks for the purpose of recording and reestablishing by analytical triangulation the existing alignment of the inplace track;

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

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

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

(9) to fund rail planning studies<u>; and</u>

<u>(10) to pay a portion of the costs of capital improvement projects designed to improve capacity or safety at rail yards</u>.

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

Sec. 16. Minnesota Statutes 2014, section 297A.94, is amended to read:

297A.94 DEPOSIT OF REVENUES.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(g) Beginning July 15, 2016, and by July 15 of each year, the commissioner of revenue shall transfer an amount equal to the estimated revenues, including interest and penalties, collected in tax from the sale or purchase of new or used bicycles by a person who is required to have or voluntarily obtains a permit under section 297A.83, subdivision 1, from the general fund to be divided equally between the greater Minnesota active transportation account and the metropolitan area active transportation account under section 174.38, subdivision 3. Beginning June 30, 2016, and by June 30 of every fourth year thereafter, the commissioner of revenue must estimate the percentage of total sales tax revenues collected in the previous calendar year that is attributable to sales and purchases of bicycles, based on available federal data and Department of Revenue consumption models. The amount of sales tax revenue to be transferred to the active transportation account on each July 15 is equal to the most recently calculated percentage estimate under this paragraph multiplied by the total sales tax revenues collected in the previous calendar year. For purposes of this section, "bicycle" has the meaning given in section 169.011, subdivision 4, and does not include bicycle parts.

~~(g)~~ (h) The revenues deposited ~~under paragraphs (a) to (f)~~ in, transferred to, or credited to a fund other than the general fund by a provision in this chapter do not include the revenues, including interest and penalties, generated by the sales tax imposed under section 297A.62, subdivision 1a, which must be deposited as provided under the Minnesota Constitution, article XI, section 15.

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

Sec. 17. **[299D.11] MOTORCYCLE PROFILING.**

Subdivision 1. **Purpose.** The legislature finds that the reality or public perception of motorcycle profiling alienates people from police, hinders community policing efforts, and causes law enforcement to lose credibility and trust among the people law enforcement is sworn to protect and serve. No stop initiated by a peace officer should be made without a legitimate reason; the fact that someone rides a motorcycle or wears motorcycle paraphernalia is not a legitimate reason. Law enforcement policies and training programs must emphasize the need to respect the balance between the rights of all persons to be free from unreasonable governmental intrusions and law enforcement's need to enforce the law.

Subd. 2. **Definition.** For purposes of this section, "motorcycle profiling" means the illegal use of the fact that a person rides a motorcycle or wears motorcycle-related accouterments as a factor in deciding to stop and question, take enforcement action, arrest, or search a person or vehicle with or without a legal basis under the United States Constitution or Minnesota Constitution.

Subd. 3. **Statewide model policy.** By October 1, 2015, the State Patrol, after consulting with the Department of Public Safety Motorcycle Safety Advisory Task Force, the Department of Public Safety, the Minnesota Chiefs of Police Association, the Minnesota Sheriffs Association, the Minnesota Police and Peace Officers Association, and the Board of Peace Officer Standards and Training, shall develop a statewide model training policy designed to eliminate motorcycle profiling from law enforcement in the state. The model antimotorcycle profiling policy must include training in:

(1) acts that constitute motorcycle profiling;

(2) tactics for avoiding motorcycle profiling; and

(3) methods for peace officers and their supervisors to identify and respond to motorcycle profiling by other peace officers.

Subd. 4. **Agency policies required.** (a) By November 1, 2016, the chief law enforcement officer of each state and local law enforcement agency must establish and enforce a written antimotorcycle profiling policy governing the conduct of peace officers engaged in stops of citizens. The chief law enforcement officer shall ensure that each peace officer receives a copy of the agency's antimotorcycle profiling policy. The chief law enforcement officer also must ensure that each peace officer is aware of the policy's purpose and prohibited conduct.

(b) The policy must, at a minimum, comply with the requirements of the model policy adopted by the State Patrol under subdivision 3 and require peace officers to give their name and badge number to each motorcycle operator stopped for any reason.

(c) Each state and local law enforcement agency must certify to the State Patrol that the agency has adopted a written policy in compliance with the State Patrol's model policy.

Subd. 5. **Compliance reviews.** The State Patrol has authority to inspect state and local agency policies to ensure compliance with subdivision 4. The State Patrol may conduct an inspection based upon a complaint it receives about a particular agency or through a random selection process.

Sec. 18. Minnesota Statutes 2014, section 357.021, subdivision 7, is amended to read:

Subd. 7. **Disbursement of surcharges by commissioner of management and budget.** (a) Except as provided in paragraphs (b), (c), ~~and~~ (d), and (e), the commissioner of management and budget shall disburse surcharges received under subdivision 6 and section 97A.065, subdivision 2, as follows:

(1) one percent ~~shall~~ must be credited to the peace officer training account in the game and fish fund to provide peace officer training for employees of the Department of Natural Resources who are licensed under sections 626.84 to 626.863, and who possess peace officer authority for the purpose of enforcing game and fish laws;

(2) 39 percent ~~shall~~ must be credited to the peace officers training account in the special revenue fund; and

(3) 60 percent ~~shall~~ must be credited to the general fund.

(b) The commissioner of management and budget shall credit $3 of each surcharge received under subdivision 6 and section 97A.065, subdivision 2, except for the $12 parking surcharge, to the general fund.

(c) In addition to any amounts credited under paragraph (a), the commissioner of management and budget shall credit $47 of each surcharge received under subdivision 6 and section 97A.065, subdivision 2, ~~and the $12 parking surcharge,~~ to the general fund.

(d) If the Ramsey County Board of Commissioners authorizes imposition of the additional $1 surcharge provided for in subdivision 6, paragraph (a), the court administrator in the Second Judicial District shall transmit the surcharge to the commissioner of management and budget. The $1 special surcharge is deposited in a Ramsey County surcharge account in the special revenue fund and amounts in the account are appropriated to the trial courts for the administration of the petty misdemeanor diversion program operated by the Second Judicial District Ramsey County Violations Bureau.

(e) The commissioner of management and budget shall credit the $12 parking surcharge to the highway user tax distribution fund.

EFFECTIVE DATE. This section is effective July 1, 2015, and applies to surcharges on parking violations committed on and after that date.

Sec. 19. Minnesota Statutes 2014, section 360.305, subdivision 4, is amended to read:

Subd. 4. **Costs allocated; local contribution; hangar construction account.** (a) ~~Except as otherwise provided in this subdivision~~ Annually by June 1, the commissioner of transportation shall ~~require as a condition of assistance by the state that the~~ establish local contribution rates which will apply to a political subdivision, municipality, or public corporation ~~make a substantial contribution to the cost of the construction, improvement,~~

~~maintenance, or operation of the airport, in connection with which the assistance of the state is sought. These costs are referred to as project costs~~ when applying for state or federal funding assistance to construct, improve, maintain, or operate an airport, or to acquire land for airport facilities or clear zones. If the commissioner does not establish local contribution rates by June 1, the previous rates apply.

(b) ~~For any airport, whether key, intermediate, or landing strip, where only state and local funds are to be used, the contribution shall be not less than one-fifth of the sum of:~~

~~(1) the project costs;~~

~~(2) acquisition costs of the land and clear zones, which are referred to as acquisition costs.~~ The commissioner may pay all costs beyond the local contribution. Local contribution rates shall not be less than five percent of the total cost of the activity or acquisition, except that the commissioner may require less than five percent for research projects, radio or navigational aids, activities, or acquisitions for which federal funds are available to cover more than 90 percent of the total cost, or as otherwise necessary to respond to an emergency.

(c) ~~For any airport where federal, state, and local funds are to be used, the contribution shall not be less than five percent of the sum of the project costs and acquisition costs.~~ The commissioner's establishment of local contribution rates is not subject to the rulemaking requirements of chapter 14.

~~(d) The commissioner may pay the total cost of radio and navigational aids.~~

~~(e) Notwithstanding paragraph (b) or (c), the commissioner may pay all of the project costs of a new landing strip, but not an intermediate airport or key airport, or may pay an amount equal to the federal funds granted and used for a new landing strip plus all of the remaining project costs; but the total amount paid by the commissioner for the project costs of a new landing strip, unless specifically authorized by an act appropriating funds for the new landing strip, shall not exceed $200,000.~~

~~(f) Notwithstanding paragraph (b) or (c), the commissioner may pay all the project costs for research and development projects, including, but not limited to noise abatement; provided that in no event shall the sums expended under this paragraph exceed five percent of the amount appropriated for construction grants.~~

~~(g)~~ (d) To receive aid under this section ~~for project costs or for acquisition costs~~, the municipality must enter into an agreement with the commissioner giving assurance that the airport will be operated and maintained in a safe, serviceable manner for aeronautical purposes only for the use and benefit of the public:

(1) for 20 years after the date ~~that~~ the municipality receives any state funds for ~~project~~ construction or improvement costs ~~are received by the municipality~~; and

(2) for 99 years after the date ~~that~~ the municipality receives any state funds for land acquisition costs ~~are received by the municipality~~. If any land acquired with state funds ceases to be used for aviation purposes, the municipality shall repay the state airports fund the same percentage of the appraised value of the property as that percentage of the costs of acquisition and participation provided by the state to acquire the land.

The agreement may contain other conditions as the commissioner deems reasonable.

~~(h)~~ (e) The commissioner shall establish a hangar construction revolving account, which shall be used for the purpose of financing the construction of hangar buildings to be constructed by municipalities owning airports. All municipalities owning airports are authorized to enter into contracts for the construction of hangars, and contracts with the commissioner for the financing of hangar construction for an amount and period of time as may be determined by the commissioner and municipality. All receipts from the financing contracts shall be deposited in the hangar construction revolving account and are reappropriated for the purpose of financing construction of hangar buildings. ~~The commissioner may pay from the hangar construction revolving account 80 percent of the cost of financing construction of hangar buildings. For purposes of this paragraph, the construction of hangars shall include their design.~~ The commissioner shall transfer up to $4,400,000 from the state airports fund to the hangar construction revolving account.

~~(i)~~ (f) The commissioner may ~~pay a portion of the purchase price of any~~ contribute to costs incurred by any municipality for airport maintenance and operations, safety equipment, and ~~of the actual~~ airport snow removal ~~costs incurred by any municipality. The portion to be paid by the state shall not exceed two-thirds of the cost of the purchase price or snow removal. To receive aid a municipality must enter into an agreement of the type referred to in paragraph (g)~~.

~~(j)~~ (g) This subdivision applies only to project costs or acquisition costs of municipally owned airports incurred after June 1, 1971.

Sec. 20. **[473.1296] MADE IN AMERICA.**

In all construction and maintenance projects, the council shall, to the greatest extent feasible, utilize products, materials, and equipment that are made in America and shall include this requirement in its contract specifications.

Sec. 21. Minnesota Statutes 2014, section 473.915, is amended to read:

473.915 PROCUREMENTS.

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

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

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

Sec. 22. **COST SHARE POLICY.**

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

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

Sec. 23. **PUBLIC-PRIVATE PARTNERSHIP PILOT PROGRAM.**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(6) comments from local citizens and affected jurisdictions;

(7) benefits to the public;

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

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

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

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

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

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

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

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

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

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

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

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

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

(10) procedures for amendment of the agreement.

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

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

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

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

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

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

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

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

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

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

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

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

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

(13) traffic enforcement and other policing issues; and

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

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

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

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

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

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

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

Sec. 24. **DEPARTMENT OF TRANSPORTATION LAND ACQUISITION.**

As part of the construction of a bridge and bridge approaches along Trunk Highway 23 in the city of Duluth, the commissioner of transportation shall acquire by purchase or gift, in fee or a lesser estate as the commissioner deems necessary, the lands and properties located in St. Louis County and consisting of three parcels identified and described as St. Louis County Property Tax Parcel Numbers 010-3510-08110, 101-3510-08120, and 010-3510-08130.

Sec. 25. **TRANSPORTATION PROJECT SELECTION PROCESS.**

Subdivision 1. **Adoption of process and public input.** The commissioner of transportation shall, after consultation with metropolitan planning organizations, regional development commissions, area transportation partnerships, local governments, and the Metropolitan Council, draft a proposed transportation project data-driven evaluation process to provide an objective and consistent analysis to assist in developing the statewide transportation plan and prioritization of highway construction, reconstruction, and improvement projects in the state transportation improvement program. No later than September 1, 2015, the proposed process must be reported to the chairs and ranking minority members of the senate and house of representatives committees on transportation policy and finance and publicized, along with a schedule for public hearings and additional opportunities for public input electronically and at locations throughout the state. No later than January 10, 2016, after public comment has been heard and incorporated into the proposed evaluation process, the commissioner shall adopt a final process for use in highway project investment decisions on and after March 1, 2016.

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

Subd. 3. **Exemptions.** A proposed project is exempt from the process if it is:

(1) funded by a grant from:

(i) the corridors of commerce program under Minnesota Statutes, section 161.088;

(ii) the transportation economic development program under Minnesota Statutes, section 174.12; and

(iii) the joint powers board under Minnesota Statutes, section 297A.992, subdivision 6; or

(2) preservation, maintenance, capital preventive treatment or safety project that does not increase capacity of the infrastructure, or if subjecting it to the evaluation process would result in a loss of federal funds.

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

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

Sec. 26. **ACTIVE TRANSPORTATION PROGRAM DEVELOPMENT.**

(a) By October 1, 2015, the Advisory Committee on Nonmotorized Transportation under Minnesota Statutes, section 174.37, shall develop and submit recommendations to each administering authority under Minnesota Statutes, section 174.38, for developing project evaluation and selection processes under Minnesota Statutes, section 174.38, subdivision 7. The advisory committee may consult with representatives from the Bicycle Alliance of Minnesota, Minnesota Chamber of Commerce, Metropolitan Council Transportation Accessibility Advisory Committee, Minnesota Department of Transportation district area transportation partnerships, Minnesota State Council on Disability, organizations representing elderly populations, and public health organizations with experience in active transportation.

(b) In its next annual report under Minnesota Statutes, section 174.37, subdivision 4, the advisory committee shall include a summary of the recommendations under this section and submit a copy to the chairs and ranking minority members of the legislative committees with jurisdiction over transportation policy and finance. The report is subject to Minnesota Statutes, section 3.195.

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

Sec. 27. **REPORT ON DEDICATED FUND EXPENDITURES.**

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

Sec. 28. **ROAD DESIGN STANDARDS.**

By August 15, 2016, the commissioner of transportation shall, in collaboration with city and county engineers, establish and adopt design standards and guidelines to be applied consistently to trunk highways, county state-aid highways, and municipal state-aid streets with similar characteristics. The standards and guidelines must align the state-aid standards with the Department of Transportation trunk highway standards and technical memoranda as appropriate. The commissioner shall report the adopted standards and guidelines to the chairs and ranking minority members of the senate and house of representatives committees with jurisdiction over transportation policy by August 15, 2016, and present an interim report by March 15, 2016.

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

APPENDIX
Article locations in S0087-1

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

(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.

270.81 TAXATION AND ASSESSMENT OF RAILROAD COMPANY PROPERTY.

Subd. 4. **Nontaxable property.** In no event shall property owned or used by a railroad, whether operating property or nonoperating property, be subject to tax hereunder unless such property is of a character which would otherwise be subject to tax under the provisions of chapter 272.

270.83 EXAMINATIONS AND INVESTIGATIONS.

Subd. 3. **Failure to file report.** If any railroad company shall refuse or neglect to make the report required by this section to the commissioner, or shall refuse or neglect to permit an inspection and examination of its property, records, books, accounts or other papers when requested by the commissioner, or shall refuse or neglect to appear before the commissioner or a person appointed under subdivision 2 when required so to do, the commissioner shall make the valuation provided for by sections 270.80 to 270.87 against the railroad company according to the commissioner's best judgment on available information.

473.4051 LIGHT RAIL TRANSIT CONSTRUCTION AND OPERATION.

Subd. 2. **Operating costs.** After operating revenue and federal money have been used to pay for light rail transit operations, 50 percent of the remaining operating costs must be paid by the state.

8106.0100 DEFINITIONS.

Subpart 1. **Scope.** As used in this chapter, the following words, terms, and phrases have the meanings given to them by this part. Some of the words, terms, and phrases are defined by statute but are included here for completeness.

8106.0100 DEFINITIONS.

Subp. 2. **Allocation.** "Allocation" means the process by which a fair and reasonable portion of each railroad's total unit value is assigned to Minnesota for purposes of taxation.

8106.0100 DEFINITIONS.

Subp. 3. **Apportionment.** "Apportionment" means the process of distributing that portion of the railroad's unit value which has been allocated to Minnesota after deducting exempt and nonoperating property to the various counties and taxing districts in which the railroad company operates.

8106.0100 DEFINITIONS.

Subp. 4. **Assessment/sales ratio.** "Assessment/sales ratio" means the ratio derived by dividing the estimated market value of a property by its adjusted selling price and used as a measure of the level of estimated market value to real or true market value.

8106.0100 DEFINITIONS.

Subp. 5. **Book depreciation.** "Book depreciation" means the depreciation shown by a railroad company on its corporate books and allowed the company by the Surface Transportation Board.

8106.0100 DEFINITIONS.

Subp. 6. **Capitalization rate.** "Capitalization rate" means an anticipated rate of return from an investment, a rate at which income is processed (capitalized) to indicate the probable capital value. This rate is usually expressed as a percentage.

8106.0100 DEFINITIONS.

Subp. 7. **Equalization.** "Equalization" means the adjustment of the estimated market value of railroad operating property to the apparent assessment/sales ratio of commercial and industrial property.

8106.0100 DEFINITIONS.

Subp. 8. **Exempt property.** "Exempt property" means property which is nontaxable for ad valorem tax purposes by statutes. An example of such property is personal property exempt from taxation under Minnesota Statutes, chapter 272.

8106.0100 DEFINITIONS.

Subp. 10. **Mainline track.** "Mainline track" means all track reported to the STB by the respondent railroad as main line.

8106.0100 DEFINITIONS.

Subp. 12. **Obsolescence allowance.** "Obsolescence allowance" means the adjustment to be made to the gross cost indicator of value to reflect the loss of economic usefulness or value because of causes other than physical deterioration.

8106.0100 DEFINITIONS.

Subp. 13. **Operating property.** "Operating property" means all property owned or used on a regular and continual basis by a railroad company in the performance of railroad transportation services, including without limitation, franchises, rights-of-way, bridges, trestles, shops, docks, wharves, buildings, and structures.

8106.0100 DEFINITIONS.

Subp. 14. **Original cost.** "Original cost" means the amount paid for an asset as recorded on the railroad's books in accordance with STB accounting rules and regulations.

8106.0100 DEFINITIONS.

Subp. 17. **Restated cost.** "Restated cost" means the cost of an asset recorded on a railroad's books after adjusting the amount from a retirement-replacement-betterment accounting basis to a depreciation accounting basis, in accordance with Code of Federal Regulations, title 49, part 1201 (effective January 1, 1983).

8106.0100 DEFINITIONS.

Subp. 17a. **STB.** "STB" means the Surface Transportation Board, a federal regulatory agency.

8106.0100 DEFINITIONS.

Subp. 18. **Structure.** "Structure" means all coal and ore wharves or docks, station houses, depots, shops, office buildings, and all other buildings with a restated cost of over $10,000.

8106.0100 DEFINITIONS.

Subp. 19. **System.** "System" means the total tangible property, real and personal, of a company which is used in its railroad operations in all states in which it operates.

8106.0100 DEFINITIONS.

Subp. 20. **Unit value.** "Unit value" means the value of the system of a railroad company taken as a whole without any regard to the value of its component parts.

8106.0100 DEFINITIONS.

Subp. 21. **Weighting.** "Weighting" means the confidence or reliability given to a factor or indicator. It is usually expressed as a portion of 100 percent.

8106.0300 REPORTS REQUIRED.

Subpart 1. **Reports to be filed.** The data used in the valuation, allocation, and apportionment processes will be drawn from reports submitted to the Department of Revenue by the railroad companies. These reports shall include:

A. the Minnesota Department of Revenue annual railroad report;

B. the annual report to the STB;

C. the annual stockholders report; and

D. other commonly accepted sources of railroad income, expense, capitalization, and debt and stock values such as IBBOTSON Associates Inc., and Statistics of Class I Freight Railroads compiled by the STB.

8106.0300 REPORTS REQUIRED.

Subp. 3. **Failure to file.** In the event any railroad company fails to file the required reports, the commissioner shall make a valuation according to the commissioner's best judgment based on available information.

Other sources of pertinent information may be consulted only when necessary to make the valuation, allocation, and apportionment required by parts 8106.0100 to 8106.0700. Said sources will, when applicable, be used uniformly and will be commonly accepted sources of data for which they are consulted. Questions unique to the valuation of a particular railroad may be resolved by consulting the books and records of the particular railroad involved.

8106.0400 VALUATION.

Subpart 1. **In general.** The approaches to value that will be used in determining the estimated unit value of railroad operating property are cost, capitalized income, and stock and debt except as provided in subparts 4 and 6.

Subp. 2. **Cost approach to valuation.** The cost factor that will be considered in the railroad valuation method is the restated cost of the railroad system, plus the restated cost of construction work in progress on the assessment date. The railroad system shall be considered to be made up of the following STB accounts: all road and equipment accounts, including leased equipment accounts; all general expenditures; and other elements of investment and railroad property owned and leased to others as well as railroad property leased from others. Book depreciation and obsolescence shall be allowed as a deduction from the restated cost of the railroad's assets enumerated above. The original cost if known, and the annual lease payments of any leased operating property used by the railroad must be reported to the commissioner in conjunction with the annual railroad report. The commissioner shall incorporate the value of the leased property into the railroad's unit value utilizing this information.

Obsolescence will be calculated through the use of the "Blue Chip Method." This method compares the railroad being appraised with the best railroads in the country, the so-called blue chip railroads. Three indicators of obsolescence will be used. First, a five-year average rate of return will be calculated for the railroad under appraisal. This rate of return is computed by dividing the subject's annual net railroad operating income for each of the most recent five years preceding the assessment, by the railroad's total owned transportation property less recorded depreciation and amortization (net investment in railroad property) for each corresponding year. The resulting five rates of return are then averaged using a simple arithmetic average to arrive at a five-year average rate of return. An example of this computation is as follows:

XYZ Railroad

Year	Net Railroad Operating Income	Net Investment	Indicated Rate of Return
....	$2,700,000	$31,500,000	8.57%
....	$2,900,000	$32,000,000	9.06%
....	$3,100,000	$33,500,000	9.25%
....	$3,300,000	$34,000,000	9.70%
....	$3,530,700	$35,000,000	10.08%
			Total 46.66%
Five-year Average Rate of Return			9.33%

A study will then be made of the Class I railroads operating within the United States for the same five-year period using such informational sources as information compiled annually by the Wisconsin Department of Revenue known as the "Blue Chip" Obsolescence Study for STB Class I Railroads. Each year the railroad with the highest rate of return will be selected as the blue chip railroad. The resulting five rates of return will then be averaged to find the five-year average blue chip rate of return. An example of this process is as follows:

Year	Railroad	Rate of Return
....	ABC	11.50%
....	FGH	11.27%
....	JKL	10.57%
....	MNO	11.02%
....	XYZ	10.08%
		Total 54.44%
Five-year Average Blue Chip Rate of Return		10.89%

The five-year average rate of return for the railroad under appraisal will be compared to the five-year average blue chip rate of return. The deviation of the subject railroad's rate of return from the blue chip railroads' rate of return is the amount of indicated obsolescence. The following example illustrates the computation.

XYZ Railroad Five-Year Average Rate of Return	9.33%
Blue Chip Five-Year Average Rate of Return	10.89%
Indicated Obsolescence 1 - (9.33% ÷ 10.89%)	14.30%

Second, a five-year average freight traffic density indicator will be calculated. This indicator is calculated by dividing the subject railroad's ton miles of revenue freight for the most recent five years preceding the assessment by the average miles of road operated for each corresponding year. The resulting five indicators of freight traffic density are then averaged using a simple arithmetic average to arrive at a five-year average of freight traffic density. An example of this computation is as follows:

XYZ Railroad

Year	Ton Miles of Revenue Freight	Average Miles of Road Operated	Indicated Freight Traffic Density
....	1,300,000,000	575	2,260,000
....	1,402,500,000	550	2,550,000
....	1,200,000,000	550	2,180,000
....	1,100,000,000	500	2,200,000
....	1,000,000,000	500	2,000,000
			Total 11,190,000
Five-Year Average Freight Traffic Density			2,238,000

A five-year study is then made of the Class I railroads operating within the United States in the same manner and using the same sources as the rate of return study with the exception that this study concentrates on the freight traffic density achieved by the various Class I railroads. Each year the railroad with the highest freight traffic density will be selected as the blue chip railroad. The resulting five freight traffic density amounts will then be averaged to find the five-year average blue chip freight traffic density amount. An example of this process is as follows:

Year	Railroad	Freight Traffic Density
....	JKL	2,280,000
....	FGH	2,600,000
....	FGH	2,200,000
....	MNO	2,900,000
....	ABC	2,280,000
		Total 12,260,000
Five-year Average Blue Chip Freight Traffic Density		2,452,000

The five-year average freight traffic density indicator of the railroad under appraisal will be compared to the five-year average blue chip freight traffic density indicator. The deviation of the subject railroad's freight traffic density from the blue chip railroad's freight traffic density is the amount of indicated obsolescence. The following example illustrates this computation:

XYZ Railroad Five-Year Average Freight Traffic Density	2,238,000
Blue Chip Five-Year Average Freight Traffic Density	2,452,000
Indicated Obsolescence 1 - (2,238,000 ÷ 2,452,000)	8.70%

Third, a five-year average gross profit margin indicator will be calculated. This indicator measures a railroad's ability to convert gross revenue to net profit. This indicator is calculated by dividing net railway operating income, before federal and deferred taxes, by gross revenues. This calculation is performed using the subject railroad income figures for the most recent five years preceding the assessment. The resulting five indicators of gross profit margin are then averaged using a simple arithmetic average to arrive at a five-year average of gross profit margin. An example of this computation is as follows:

XYZ Railroad

Year	Net Railroad Operating Income Before Taxes	Gross Revenue	Indicated Gross Profit Margin
....	4,050,000	15,000,000	27.0%
....	4,350,000	15,800,000	27.5%
....	4,650,000	16,500,000	28.2%
....	4,950,000	17,300,000	28.6%
....	5,295,000	19,000,000	27.9%
			Total 139.2%
Five-Year Average Gross Profit Margin			27.8%

A study will then be made of the Class I railroads operating within the United States for the same five-year period in the same manner and using the same sources in the two previous five-year studies mentioned above. This study will look at the gross profit margin achieved by the various Class I railroads. Each year the railroad with the highest gross profit margin will be selected as the blue chip railroad. The resulting five gross profit margin percents will then be averaged to find a five-year average blue chip gross profit margin percentage. An example of this process is as follows:

Year	Railroad	Gross Profit Margin
....	ABC	30.0%
....	ABC	31.2%
....	JKL	29.9%
....	FGH	32.6%
....	JKL	33.3%
		Total 157.0%
Five-Year Average Blue Chip Gross Profit Margin		31.4%

The five-year average gross profit margin percent for the railroad under appraisal will be compared to the five-year average blue chip gross profit margin percent. The deviation of the subject railroad's gross profit margin from the blue chip railroad's gross profit margin is the amount of indicated obsolescence. The following example illustrates this computation:

XYZ Railroad Five-Year Average Gross Profit Margin	27.8%
Blue Chip Five-Year Average Gross Profit Margin	31.4%
Indicated Obsolescence 1 - (27.8% ÷ 31.4%)	11.5%

The obsolescence percentage indicated by this comparison of gross profit margins will be added to the obsolescence indicated by a comparison of rates of return and freight traffic density. The total of these three amounts will be averaged and this result will be the overall obsolescence percentage for the subject railroad. The following is an example of this computation:

XYZ Railroad

Obsolescence Indicated by Rate of Return Comparison	14.30%
Obsolescence Indicated by Freight Traffic Density Comparison	8.70%
Obsolescence Indicated by Gross Profit Margin Comparison	11.50%
	Total 34.50%
Average Obsolescence Percentage	11.50%

The obsolescence percentage will then be applied to the road accounts of the subject railroad, excluding land and personal property, after the allowance for depreciation has been deducted. In no instance shall the allowance for obsolescence exceed 50 percent. The following example illustrates how the cost indicator of value is computed and how the allowance for obsolescence is applied.

XYZ Railroad

Account		Amount
Road		$24,000,000
Equipment – Owned and Leased		9,000,000
Construction Work in Progress		4,500,000
General Expenditures		1,823,000
Gross Cost Indicator		39,323,000
Less Depreciation		10,000,000
Net Cost Indicator		$29,323,000
Road	$24,000,000	
Less Land and Personal Property	1,000,000	
Adjusted Road	23,000,000	
Adjusted Road		$23,000,000

Depreciation on Adjusted Road	7,000,000
Net Road	16,000,000
Obsolescence Percent	11.5%
Obsolescence Amount	1,840,000
Adjusted Cost Indicator of Value	$27,483,000

This cost indicator of value computed in accordance with this part will bear a weighting of 15 percent of the total unit value estimate of the railroad's property, except in the case of bankrupt railroads, or railroads with no income to be capitalized, as provided for in subpart 6, or railroads not meeting the criteria for use of the stock and debt approach to value as specified in subpart 4. These railroads will be valued using a 40 percent weighting for the cost indicator of value.

Subp. 3. **Income approach to valuation.** The income indicator of value will be calculated by averaging the net railway operating income, as defined by the STB, of the railroad for the most recent five years preceding the assessment. This average income shall be capitalized by applying to it a capitalization rate which will be computed by using the band of investment method. This method will consider:

A. the capital structure of railroads, including capital surplus and retained earnings;

B. the cost of debt or interest rate paying particular attention to imbedded debt of railroads;

C. the yield on preferred stock of railroads; and

D. the yield on common stock of railroads.

This rate will be calculated each year using the method described in this subpart.

An example of a computation of the capitalized income approach to value is as follows:

XYZ Railroad

Year	Net Railway Operating Income
....	$ 2,600,000
....	2,700,000
....	3,000,000
....	3,100,000
....	3,492,500
Total	$14,892,500
Average	$ 2,978,500

Five-year average Net Railway Operating Income Capitalized at 14.0 percent (2,978,500 ÷ 14.0 percent) equals $21,275,000.

The income indicator of value computed in accordance with this part shall be weighted 60 percent of the total estimated unit value of the railroad's property except in the case of bankrupt railroads or railroads having no net operating income as provided for in subpart 6.

Subp. 4. **Stock and debt approach to valuation.** The stock and debt approach to value is the third method which will be used to estimate the unit value of the railroad operating property. This approach to value is based on the accounting principle: assets = liabilities + equity. Therefore, when the value of a company's liabilities (debt) is found and this added to the worth of its stock, a value can be established for its assets (property).

The use of this approach to value will be limited to only those railroads meeting qualifications in items A to C:

A. The stock of the railroad must be traded on either the New York or American Stock Exchange.

B. The bonds of the railroad must be traded or have a rating by either Standard and Poor's or Moody's rating services.

C. If the railroad is part of a diversified company, the value of the railroad portion of the total stock price must be able to be separated on an earnings basis using the following method:

XYZ Railroad

XYZ railroad is wholly owned by ABC Industries Inc.

Net Earnings of ABC Industries	$5,200,500
Net Earnings of XYZ Railroad	$2,600,250
Percent of XYZ net earnings to total conglomerate earnings	50%
Value of share of ABC Industries stock	$100
XYZ Railroad portion of stock value	$50

If a railroad has no net earnings, and is part of a conglomerate, then the stock and debt indicator of value will not be used.

The value of the stock used in the stock and debt method shall be an average of the month-ending stock prices for the 12 months immediately preceding the assessment date of January 2. The value of the bonds, equipment obligations, and conditional sales contracts, and other long-term debts shall also be an average of the cost of money quotes for the 12 months immediately preceding the assessment date of January 2. The source for these stock and bond prices shall be Standard and Poor's Stock Guide or other applicable financial service.

An illustration of a computation of the stock and debt approach to value is as follows:

XYZ Railroad Company

Shares of Common Stock issued x	
Average price for preceding year	
	1,000,000 x $12 = $12,000,000
Shares of Preferred Stock x	
Average price for preceding year	
	100,000 x $15 = $ 1,500,000
Rate and face value of bonds x	
Average price for class of bonds for preceding year	
	A rated 8% bonds $10,000,000 x 99% of par = $ 9,900,000
Stock and Debt Indicator of Value	$23,400,000

After the gross stock and debt indicator of value has been computed, an allowance will be made for the effect, if any, of revenue from other than railway operations included in this indicator of value. This allowance shall be based on the ratio of a five-year average of net revenue from railway operations, as determined by the STB, to a similar five-year average of income available for fixed charges as determined by the STB. The five-year average will be the most recent five years preceding the assessment date. An example of this computation is as follows:

XYZ Railroad Company

Year	Net Revenue from Railway Operations	Income Available for Fixed Charges
....	$ 3,000,000	$ 3,500,000
....	4,000,000	4,300,000
....	5,200,000	5,700,000
....	6,000,000	6,800,000
....	5,200,000	5,400,000
	$23,400,000	$25,700,000
Average	$ 4,680,000	$ 5,140,000

Ratio $4,680,000 ÷ $5,140,000 = 91%

Gross Stock and Debt Indicator of Value	$23,400,000
Ratio of Operating to Noncarrier Earnings	91%
Net Stock and Debt Indicator of Value	$21,300,000

The stock and debt indicator of value computed in accordance with this part will bear a weighting of 25 percent of the total unit value of the railroad's property, except in the case of bankrupt railroads, railroads in bankruptcy proceedings, or railroads with no income to be capitalized, as provided for in subpart 6. If no stock and debt indicator of value is computed, the weighting of 25 percent which would have been applied to this indicator of value will be placed on the cost indicator of value.

Subp. 5. **Unit value computation.** The estimated unit value of the railroad property will be the total of the three weighted indicators of value. The following is an example of the computation of the unit value.

XYZ Railroad

Valuation Approach	Value	Weighting	
Cost indicator of value	$27,483,000	15%	$ 4,122,500
Income indicator of value	21,275,000	60%	12,765,000
Stock and debt indicator of value	21,300,000	25%	5,325,000
		Unit Value	$22,212,500

The weighting shown above may vary from railroad to railroad as provided for in subparts 2 to 4.

Subp. 6. **Railroads operating at a loss, bankrupt railroads involved in federal bankruptcy proceedings, and railroads adjudged bankrupt by a federal court.** Railroads which are involved in federal bankruptcy proceedings, adjudged bankrupt, or railroads having no net railway operating income will be valued using the cost and stock and debt approaches to value. If the stocks or bonds of such railroads are not traded, or do not meet the other requirements for use of the stock and debt indicator of value, then these railroads will be valued using the cost approach to value only.

8106.0500 ALLOCATION.

Subpart 1. **In general.** After the estimated unit value of the railroad property has been determined, the portion of value which is attributable to Minnesota must be established. This is accomplished through the use of certain allocation factors. Each of the factors in the allocation method shows a relationship between the railroad system operations in all states and its Minnesota operations. These relationships are expressed in percentage figures. These percentages are then added and an average is computed. The resulting average of the factors, multiplied by the unit value, yields the Minnesota portion of the railroad property which will, after the adjustments described in parts 8106.0600and 8106.0800, be subject to ad valorem tax in Minnesota.

Subp. 2. **Allocation factors.** The factors to be considered in making allocations of unit values to Minnesota for railroad companies are:

A. miles of railroad track operated in Minnesota divided by miles of railroad track operated in all states;

B. ton miles of revenue freight transported in Minnesota divided by ton miles of revenue freight transported in all states;

C. gross revenues from transportation operations within Minnesota divided by gross revenues from transportation operations in all states; and

D. cost of road property in Minnesota divided by the cost of road property in all states.

The following example illustrates the allocation method to be applied to the unit value of railroad property.

XYZ Railroad

Minnesota miles of track	100		
		=	20%
Total miles of track	500		
Minnesota ton miles of revenue freight	2,200,000		
		=	24%
Total ton miles of revenue freight	9,000,000		
Minnesota gross transportation revenue	$10,000,000		
		=	25%
Total gross transportation revenue	$40,000,000		

Minnesota cost of road property	2,990,000	=	23%
Total cost of road property	13,000,000		
	Total		92%
	Minnesota Percent of Unit Value		23%
Total Unit Value ($22,212,500 x 23%) =			
Minnesota Portion of Unit Value	$5,108,875		

8106.0600 ADJUSTMENTS FOR NONFORMULA ASSESSED PROPERTY OR EXEMPT PROPERTY.

After the Minnesota portion of the unit value of the railroad company is determined, property which is either exempt from taxation, such as personal property, or classified as nonoperating will be deducted from the Minnesota portion of the unit value to the extent that it has been included in the computation of this value.

Property which has been included in the computation of the unit value but has been defined as nonoperating property will be valued by the local assessor. The Minnesota portion of the unit value will be reduced by the restated cost of this property. Only nonoperating property located within Minnesota will be eligible for this exclusion.

The railroad company shall have the responsibility to submit to the commissioner of revenue, in the form required by the commissioner, such schedules of nonoperating property as the commissioner may require.

In addition to nonoperating property which will be valued and assessed locally, a deduction from the Minnesota portion of the unit value will be made for personal property.

A percentage of the Minnesota portion of the unit value before deducting nonoperating property will be excluded as personal property. This percentage will be computed in the following way:

A. The following STB accounts for property within Minnesota will be totaled:

(1) that portion of coal and ore wharves determined to be personal property;

(2) communication systems;

(3) signals and interlockers;

(4) roadway machines;

(5) shop machinery;

(6) power plant machinery;

(7) computer and word processing equipment; and

(8) equipment, allocated to Minnesota on the basis of car and locomotive miles in Minnesota compared to total system car and locomotive miles.

B. The total of these accounts will then be divided by the total of the Minnesota road, equipment, leased property, general expenditures, construction work in progress, and other elements of investment accounts. The resulting percentage will be used to determine the personal property amount of the Minnesota portion of the unit value. This amount will not be taxable for ad valorem purposes.

C. The following is an illustration of the computation for the personal property exclusion.

XYZ Railway

Personal Property Account	Amount in Minnesota
Computer and Word Processing Equipment	$ 89,200
Coal and Ore Wharves	100,000
Communication Equipment	100,000
Signals and Interlockers	200,000
Roadway Machines	200,000
Shop Machinery	100,000
Power Plant Machinery	100,000

* Equipment – Owned and Leased		2,250,000
		3,139,200
* Total Equipment Account	$9,000,000	
Car and Locomotive Miles in Minnesota	1,000,000	
Total Car and Locomotive Miles	4,000,000	
Ratio of Minnesota to Total	25%	
Minnesota Allocated Equipment Account	$2,250,000	

Restated Cost Account	Amount in Minnesota
Road	$2,990,000
Equipment – Owned and Leased	2,250,000
Construction Work in Progress	800,000
General expenditures	500,000
	$6,540,000

Minnesota Personal Property Accounts	$3,139,200
Minnesota Restated Cost	$6,540,000
Ratio of Personal Property to Cost	48%

Minnesota portion of unit value	5,108,875
Personal Property exclusion at 48%	2,452,260
Taxable Minnesota Portion of Unit Value	$2,656,615

8106.0700 APPORTIONMENT.

Subpart 1. **In general.** After the taxable Minnesota portion of the railroad's unit value has been determined, this value must be distributed to the various counties and taxing districts in which the railroad operates. This distribution will be accomplished by the commissioner of revenue through the use of certain apportionment components. Each of the components in the apportionment method is a reflection of the property owned or used by the railroad within a particular taxing district. The figures making up these components will be developed on information submitted by the railroad companies in annual reports filed with the commissioner, and information supplied to the commissioner by the various county auditors and assessors.

Subp. 2. **Apportionment components.** There are three components which will be used in the distribution of the value of railroad property to the various taxing districts. They are railroad operating land, miles of track, and railroad operating structures with a restated cost of $10,000 or more.

Subp. 3. **Railroad operating land.** The information for the computation of this apportionment component will be based on information submitted by both the railroads and the various county auditors and assessors. The railroad companies shall file with the commissioner of revenue each year, in conjunction with their annual reports required by part 8106.0300, subpart 1, the number of acres of railroad operating land owned or used by them in each taxing district in which they operate. The county auditor shall also be required to submit to the commissioner of revenue a report showing the number of acres of railroad operating land, detailed by owning railroad, in each taxing district within the county. If either the railroads or the auditors find that it is administratively impracticable to submit this information, the commissioner shall make an estimate of the number of acres of railroad operating land within each taxing district based on the best information available. Such information would usually consist of the miles of railroad track within the taxing district and the normal width of the right-of-way used by the railroad. In addition, information relative to the current estimated market value of all land within the respective taxing districts will be obtained from the county or city assessors by a review of the abstract of assessment of real and personal property which the various assessors are required to submit yearly to the commissioner of revenue in compliance with Minnesota Statutes, section 273.061, subdivision 9. A review will also be made of the abstract of assessment of exempt real property which is submitted to the commissioner of revenue by the various assessors in compliance with Minnesota Statutes, section 273.18.

The computation for the railroad operating land apportionment component will be accomplished annually in the following manner:

A. The average estimated market value per taxable acre within a specific taxing district will be calculated by dividing the estimated market value of all taxable land within the taxing district as indicated by the most recent abstract of assessment of real and personal property by the number of taxable acres within the taxing district. The number of acres within a taxing district will be obtained from the most recent statistics available from the Minnesota Geospatial Information Office, Department of Administration. The total number of acres will be adjusted to allow for nontaxable or exempt acres by subtracting these nontaxable or exempt acres from the total acres. The number of nontaxable or exempt acres will be obtained from the most recent abstract of assessment of exempt real property. The following example illustrates this calculation.

Estimated Market Value of All Taxable Land Within Taxing District		$200,000
Total Area of Taxing District	210 Acres	
Nontaxable or Exempt Acres	10 Acres	
Taxable Acres Within Taxing District		200
Average Estimated Market Value per Acre		$1,000

B. This average estimated market value per taxable acre is then applied to the number of acres of railroad operating land within the taxing district to compute a gross railroad operating land component within the taxing district. The following example illustrates this computation:

Average Estimated Market Value Per Acre	$1,000
Acres of Railroad Operating Land	x 5
Gross Railroad Operating Land Component	$5,000

C. This railroad operating land component will then be adjusted. This adjustment is achieved by striking a ratio between the system unit value for all Minnesota railroads, as described in part 8106.0400, subpart 5, to the total of net investment in railway property used in transportation service as defined by the STB for all railroads operating in Minnesota. This relationship will be computed annually and will then be applied to the gross railroad operating land component to arrive at the adjusted railroad operating land component. This adjusted land value will then be used as one element of the apportionment computation.

The following is an example of how the adjusted railroad operating land component is to be computed:

Railroad	System Unit Value	Net Investment in Railway Property Used in Transportation Services
ABC Railway	$ 20,000,000	$ 40,000,000
FGH Railway	5,256,000	8,000,000
JKL Railroad	2,000,000	4,780,830
MNO Railroad	50,000,000	90,000,000
XYZ Railroad	22,212,500	25,000,000
	$ 99,468,500	$ 165,780,830

Total System Unit Value ($99,468,500) ÷ Total Net Investment in Railway Property Used in Transportation Services ($165,780,830) = 60%

Gross Railroad Operating Land Component Within the Taxing District	$5,000
Adjustment Factor	60%

Adjusted Railroad Operating Land Component	$3,000

Subp. 4. **Miles of track.** The information for the computation of this apportionment component will be based on information submitted by the railroads to the commissioner of revenue in conjunction with the annual report required by part 8106.0300, subpart 1. Each railroad will be required to list the miles of track they own in each taxing district within Minnesota. The track must be separated into two classes, main line track and all other track.

In order to make the miles of track in each taxing district compatible with the other apportionment components, the miles must be converted to dollars. This conversion will be computed annually. The conversion will be accomplished by adding together the following STB accounts for each railroad's net investment in Minnesota: account 3, grading; account 8, ties; account 9, rails; account 11, ballast. The total of these accounts will then be divided by the number of miles of track operated by the respective railroads within Minnesota to obtain a cost per mile figure. This will be used as the average cost per mile for track within Minnesota.

The following is an example of how the average cost per mile of track in Minnesota will be computed:

Railroad	Total of Accounts #3, 8, 9, 11	Mileage Operated in Minnesota
ABC Railway	$ 4,000,000	154
FGH Railway	800,000	42
JKL Railroad	500,000	20
MNO Railroad	7,450,000	290
XYZ Railroad	2,500,000	104
	$ 15,250,000	610

Total cost of track ($15,250,000) ÷ Total miles operated (610) = Average Cost per Mile of Track $25,000.

Main line track shall be weighted at 1.5 times the cost of all other track; thus, if the average cost per mile of track is $25,000, main line track would be worth more than $25,000 per mile, while all other track would be worth less. The calculation for the average cost of both main line and all other track shall be made annually on an industry basis.

The calculation to determine the average cost per mile of main line track and the average cost per mile of all other track will be computed in the following manner:

A. Total mileage operated will be multiplied by the average cost per mile to arrive at a total track cost.

B. Total mileage operated will be separated into the two types of track, main line and all other track.

C. Main line track will be multiplied by 1.5 to arrive at adjusted main line miles.

D. Adjusted main line miles will be added to all other track miles to arrive at adjusted total track miles.

E. Total track cost will be divided by adjusted total track miles to arrive at the cost per mile of all other track.

F. The cost per mile of main line track will be computed by multiplying the cost per mile of all other track by 1.5.

An illustration of this computation is as follows:

Railroad	Mileage Operated	Main Line Miles	All other Track Miles
ABC Railway	154	96	58
FGH Railway	42	10	32
JKL Railroad	20	15	5
MNO Railroad	290	132	158

XYZ Railroad	104	52	52
	610	305	305

Total Mileage Operated		610
Average Cost Per Mile of Track		$ 25,000
Total Track Cost		$ 15,250,000
Main Line Miles	305	
Weighting Factor	1.5	
Adjusted Main Line Miles		457.5
Other Track Miles		305.0
Adjusted Total Track Miles		762.5
Total Track Cost		$ 15,250,000
Adjusted Total Track Miles		762.5
Average Cost Per Mile of Other Track		$ 20,000
Average Cost Per Mile of Other Track		$ 20,000
Weighting Factor		1.5
Average Cost Per Mile of Main Line Track		$ 30,000

After the per mile cost figures for main line and all other track are obtained, these per mile cost figures would be multiplied by the length of each type of track in a particular taxing district to obtain the value of the trackage in that district. The same cost figures will be used for all railroads operating in Minnesota.

Subp. 5. **Structures.** The information for the computation of this apportionment component will be based on statements submitted by the railroads. These schedules shall be submitted annually to the commissioner of revenue in conjunction with the annual report required by part 8106.0300, subpart 1. The schedules shall show the location, by taxing district, of all operating structures owned by the reporting railroad within Minnesota with a restated cost of $10,000 or more. The schedules shall list a description of the structure and the railroad's current restated cost investment in the structure as it appears in the appropriate STB account.

An example of this listing is as follows:

XYZ Railroad

Taxing District	Description	Restated Cost
St. Paul, S.D. #625	Office Building	$ 400,000
Minneapolis, S.D. #1	Depot	20,000
Fridley, S.D. #16	Yard Tower	200,000
Anoka, S.D. #11	Engine and Car Shop	250,000
	Total	$ 870,000

Subp. 6. **Apportionment computation.** The apportionment of a railroad's taxable Minnesota value is accomplished by totaling the amount of the land, track, and structure components as developed in subparts 3 to 5 for each taxing district, then finding the sum of these totals for all the taxing districts in which the subject railroad operates. The taxable Minnesota portion of the railroad's unit value is divided by the total of the three apportionment components for all taxing districts in which the railroad operates in order to arrive at a percentage. This resulting percentage is then applied to the total amount of the three apportionment components for each specific taxing district. The figure produced by this multiplication process is the taxing district's share of the railroad's taxable Minnesota portion of the unit value. No more value can be distributed to the various taxing districts than that produced by the valuation process described in parts 8106.0100 to 8106.0600.

The example in part 8106.9900 illustrates the apportionment process.

8106.0800 EQUALIZATION.

Subpart 1. **In general.** After the apportionment of value referred to in part 8106.0700has been made, the railroad property values must be equalized to coincide with the assessment levels of commercial and industrial property within each respective county receiving a share of the apportioned railroad value. This equalization will be accomplished through the use of an assessment/sales ratio.

Subp. 2. **Assessment/sales ratio computation.** A comprehensive assessment/sales ratio study compiled annually by the sales ratio section of the Property Tax Division of the Department of Revenue commonly known as the State Board of Equalization Sales/Ratio Study will be used in this computation. The portions of this study which will be used for purposes of this section are known as the "County Commercial and Industrial Sales Ratio."

This commercial and industrial (C & I) sales ratio is computed through an analysis of the certificates of real estate value filed by the buyers or sellers of commercial or industrial property within each county. The information contained on these certificates of real estate value is compiled pursuant to requests, standards, and methods set forth by the Minnesota Department of Revenue acting upon recommendations of the Minnesota legislature. The most recent C & I study available will be used for purposes of this section.

The median C & I sales ratio from the County Commercial and Industrial Sales Ratio study will be used as a basis to estimate the current year C & I median ratio for each county.

The process used to estimate this current year median ratio will be as follows.

The State Board of Equalization abstract of market value will be examined. The current estimated market value of commercial and industrial property within each county will be taken from this abstract. The amount of the value of new commercial and industrial construction, ("new" meaning since the last assessment period) as well as the value of commercial and industrial property which has changed classification (i.e. commercial to tax exempt property) will also be taken from the abstract. The value of new construction will then be deducted from the estimated market value, resulting in a net estimated current year market value for commercial and industrial property within the county. The value of commercial and industrial property which has changed classification will be deducted from the previous years estimated market value to arrive at a net estimated previous year market value for commercial and industrial property within the county. The net current year value will be compared to the net previous year's estimated market value for commercial and industrial property within the county and the difference between the two values noted. This difference will be divided by the previous year's net estimated market value for commercial and industrial property to find the percentage of increase, or decrease, in assessment level for each year. This percent of change will be applied to the most recent C & I median ratio to estimate the current year's C & I median ratio. An example of this calculation for a typical county is shown below.

Current Year Estimated Market Value for Commercial and Industrial Property	$12,000,000	
Less: New Construction	1,500,000	
Current Year Net Estimated Market Value for Commercial and Industrial Property		10,500,000
Previous Year Estimated Market Value for Commercial and Industrial Property	10,250,000	
Less: Classification Changes	250,000	
Previous Year Net Estimated Market Value for Commercial and Industrial Property		10,000,000
Difference Previous Year vs. Current Year Estimated Market Value		500,000
Percent of Change (500,000 ÷ 10,000,000)		5%

Previous Year Median Commercial and Industrial Ratio	88%
Current Year Estimated Median Commercial and Industrial Ratio (88% x 105%)	92.4%

This same calculation is performed for each Minnesota county which contains operating railroad property. If there are five or fewer valid sales of commercial and industrial property within a county during the study period, these few sales are insufficient to form the basis for a meaningful C & I ratio. Therefore, the median assessment/sales ratio to be used for purposes of the above computation will not be the median C & I ratio but will be the weighted median ratio of all property classes within the county for which a sales ratio is available. This weighted median ratio is computed in the same manner using the same procedures and standards as the C & I ratio. In addition, the computation described above will not be performed using the commercial and industrial estimated market value but will use the estimated market value for all property within the county. All other aspects of the calculations are identical except for this substitution.

The weighted median ratio is developed by multiplying the median ratio for each class of property (agricultural, residential, recreational, commercial) by the percentage of value that class of property comprises of the total county value. An example of this calculation is as follows:

Class of Property	Amount of Value	Percent of Value	Median Ratio	Weighted Median Ratio
Residential	$ 20,000,000	20%	85%	17.00%
Agricultural	55,000,000	55%	95%	52.25%
Seasonal - Recreational	5,000,000	5%	90%	4.50%
Commercial - Industrial	20,000,000	20%	85%	17.00%
Total	$100,000,000	100%		90.75%

Subp. 3. **Application of the estimated current year median assessment/sales ratio.** After the estimated current year median ratio has been calculated pursuant to subpart 2, it is used to adjust the apportioned estimated market value of operating railroad property to the apparent assessment level of commercial and industrial property in each county. This is done by multiplying the estimated market value of the railroad property by the estimated sales ratio to arrive at the equalized market value of operating railroad property. In no instance will any adjustment be made if, after comparing the estimated current year sales ratio to the assessment level of operating railroad property, the difference between the two is five percent or less. An example of this adjustment is as follows:

	Estimated Market Value of Railroad Operating Property*	Estimated Current Year Median Sales Ratio	Equalized Estimated Market Value of Railroad Operating Property
County A	$ 100,000	85%	$ 85,000
County B	250,000	88%	220,000
County C	300,000	90%	270,000
County D	150,000	92%	138,000
County E	100,000	95%	100,000**

* For purposes of this example, assume that railroad property is assessed at 100 percent of market value.

** No adjustment made because estimated current year median sales ratio is within five percent of assessment level on operating railroad property.

All railroads operating within a particular county will be equalized at the same percentage.

These equalized estimated market values of operating railroad property will be certified to the county assessor denoting specific railroads and taxing districts pursuant to Minnesota Statutes, section 270.87.

8106.9900 EXAMPLE OF APPORTIONMENT PROCESS.