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State of Minnesota  
**HOUSE OF REPRESENTATIVES**

**EIGHTY-FIFTH  
SESSION**

**HOUSE FILE No. 1112**

February 19, 2007

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

1.1 A bill for an act  
1.2 relating to transportation; creating transit fund in state treasury and establishing  
1.3 accounts; imposing a sales tax within the metropolitan area with the proceeds  
1.4 dedicated to transit and transit-oriented development; transferring motor vehicle  
1.5 sales tax revenues; amending Minnesota Statutes 2006, sections 16A.88;  
1.6 297B.09, subdivision 1; proposing coding for new law as Minnesota Statutes,  
1.7 chapter 473J.

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

1.9 Section 1. Minnesota Statutes 2006, section 16A.88, is amended to read:

1.10 **16A.88 TRANSIT FUNDS FUND.**

1.11 Subdivision 1. **Transit fund.** A transit fund is established within the state treasury.  
1.12 The fund receives money distributed under section 297B.09, and other money as specified  
1.13 by law. Money in the fund must be allocated to the greater Minnesota transit account  
1.14 under subdivision 1a and the metropolitan area transit account under subdivision 2, and  
1.15 must be used for public transit assistance purposes.

1.16 Subd. 1a. **Greater Minnesota transit fund account.** The greater Minnesota transit  
1.17 fund account is established within the state treasury transit fund. Money in the fund  
1.18 account is annually appropriated to the commissioner of transportation for assistance to  
1.19 public transit systems outside the metropolitan area under section 174.24. ~~Beginning in~~  
1.20 fiscal year 2003; The commissioner may use up to \$400,000 each year for administration  
1.21 of the transit program. The commissioner shall use the fund account for transit operations  
1.22 as provided in section 174.24 and related program administration.

1.23 Subd. 2. **Metropolitan area transit fund account.** The metropolitan area transit  
1.24 fund account is established within the state treasury transit fund. All money in the fund  
1.25 account is annually appropriated to the Metropolitan Council for the funding of public

2.1 transit systems within the metropolitan area under sections 473.384, 473.387, 473.388,  
 2.2 and 473.405 to 473.449.

2.3 ~~Subd. 3. **Metropolitan area transit appropriation account.** The metropolitan  
 2.4 area transit appropriation account is established within the general fund. Money in the  
 2.5 account is to be used for the funding of transit systems in the metropolitan area, subject to  
 2.6 legislative appropriation.~~

2.7 Sec. 2. Minnesota Statutes 2006, section 297B.09, subdivision 1, is amended to read:

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

2.10 ~~(b) From July 1, 2002, to June 30, 2003, 32 percent of the money collected and  
 2.11 received must be deposited in the highway user tax distribution fund, 20.5 percent must be  
 2.12 deposited in the metropolitan area transit fund under section 16A.88, and 1.25 percent  
 2.13 must be deposited in the greater Minnesota transit fund under section 16A.88. The  
 2.14 remaining money must be deposited in the general fund.~~

2.15 ~~(c) From July 1, 2003, to June 30, 2007, 30 percent of the money collected and  
 2.16 received must be deposited in the highway user tax distribution fund, 21.5 percent must be  
 2.17 deposited in the metropolitan area transit fund under section 16A.88, 1.43 percent must be  
 2.18 deposited in the greater Minnesota transit fund under section 16A.88, 0.65 percent must  
 2.19 be deposited in the county state-aid highway fund, and 0.17 percent must be deposited  
 2.20 in the municipal state-aid street fund. The remaining money must be deposited in the  
 2.21 general fund.~~

2.22 ~~(d) On and after July 1, 2007, 32 percent of the money collected and received must  
 2.23 be deposited in the highway user tax distribution fund, 20.5 percent must be deposited  
 2.24 in the metropolitan area transit fund under section 16A.88, and 1.25 percent must be  
 2.25 deposited in the greater Minnesota transit fund under section 16A.88. The remaining  
 2.26 money must be deposited in the general fund.~~

2.27 (b) From July 1, 2007, through June 30, 2008, 38.25 percent must be deposited in the  
 2.28 highway user tax distribution fund; 25.5 percent must be deposited in the transit fund and  
 2.29 allocated 19.8 percent to the metropolitan area transit account and 5.7 percent to the greater  
 2.30 Minnesota transit account; and the remaining money must be deposited in the general fund.

2.31 (c) From July 1, 2008, through June 30, 2009, 44.25 percent must be deposited in the  
 2.32 highway user tax distribution fund; 29.5 percent must be deposited in the transit fund and  
 2.33 allocated 22.9 percent to the metropolitan area transit account and 6.6 percent to the greater  
 2.34 Minnesota transit account; and the remaining money must be deposited in the general fund.

3.1 (d) From July 1, 2009, through June 30, 2010, 50.25 percent must be deposited in the  
 3.2 highway user tax distribution fund; 33.5 percent must be deposited in the transit fund and  
 3.3 allocated 26 percent to the metropolitan area transit account and 7.5 percent to the greater  
 3.4 Minnesota transit account; and the remaining money must be deposited in the general fund.

3.5 (e) From July 1, 2010, through June 30, 2011, 56.25 percent must be deposited in the  
 3.6 highway user tax distribution fund; 37.5 percent must be deposited in the transit fund and  
 3.7 allocated 29.1 percent to the metropolitan area transit account and 8.4 percent to the greater  
 3.8 Minnesota transit account; and the remaining money must be deposited in the general fund.

3.9 (f) On and after July 1, 2011, 60 percent must be deposited in the highway user tax  
 3.10 distribution fund; and 40 percent must be deposited in the transit fund and allocated 31  
 3.11 percent to the metropolitan area transit account and nine percent to the greater Minnesota  
 3.12 transit account.

3.13 **EFFECTIVE DATE.** This section is effective the day following the date when a  
 3.14 sales and use tax increase of one-half cent becomes effective in the counties of Anoka,  
 3.15 Carver, Dakota, Hennepin, Ramsey, Scott, and Washington for public transit and other  
 3.16 transportation purposes prescribed by law.

3.17 **Sec. 3. [473J.01] METROPOLITAN TRANSPORTATION AREA.**

3.18 The metropolitan transportation area is the area within the counties of Anoka,  
 3.19 Carver, Dakota, Hennepin, Ramsey, Scott, and Washington.

3.20 **Sec. 4. [473J.02] SALES TAX.**

3.21 A sales tax and a use tax of 0.50 percent is imposed on retail sales and uses taxable  
 3.22 under chapter 297A that occur in the metropolitan transportation area. These taxes are in  
 3.23 addition to the taxes imposed by sections 297A.62, subdivision 1; 297A.63, subdivision  
 3.24 1; 473.757, subdivision 10; Laws 2006, chapter 257, section 21; and any local taxes  
 3.25 imposed pursuant to a special law.

3.26 **EFFECTIVE DATE.** This section is effective for sales and purchases made after  
 3.27 June 30, 2007.

3.28 **Sec. 5. [473J.03] TAX COLLECTION.**

3.29 The taxes imposed by section 473J.02 must be reported and paid to the commissioner  
 3.30 of revenue with the taxes imposed by chapter 297A and in accordance with an agreement  
 3.31 between the counties in the metropolitan transportation area and the commissioner of  
 3.32 revenue. The taxes are subject to the same interest, penalty, and other provisions provided

4.1 for sales and use taxes under chapters 289A and 297A. The commissioner has the same  
 4.2 powers to assess and collect the taxes as are given the commissioner in chapters 270C,  
 4.3 289A, and 297A to assess and collect sales and use taxes. The commissioner shall deposit  
 4.4 the revenues, including interest and penalties, derived from the taxes in the state treasury  
 4.5 and credit them to the general fund.

4.6 **EFFECTIVE DATE.** This section is effective for sales and purchases made after  
 4.7 June 30, 2007.

4.8 Sec. 6. **[473J.04] METROPOLITAN TRANSPORTATION SALES TAX**  
 4.9 **ACCOUNT.**

4.10 Subdivision 1. **Transfer to fund.** (a) The revenue collected under section 473J.03,  
 4.11 less the cost of collection, is appropriated from the general fund to the commissioner of  
 4.12 finance for transfer to the metropolitan area transit account in the transit fund.

4.13 (b) The cost of collection equals the direct and indirect costs of the Department of  
 4.14 Revenue to administer, audit, and collect the revenue, plus the metropolitan transportation  
 4.15 area's proportionate share of the indirect cost of administering all local sales and use taxes  
 4.16 under section 297A.99.

4.17 Subd. 2. **Use of fund.** Money transferred to the metropolitan area transit account  
 4.18 under subdivision 1 is appropriated as follows:

4.19 (1) 95 percent to the Metropolitan Council:

4.20 (i) for capital and operating costs of bus, rail, and paratransit service within the  
 4.21 metropolitan transportation area, including special transportation service under section  
 4.22 473.386 and replacement transit service under section 473.388; and

4.23 (ii) to provide for implementation by 2020 of the transit portion of the Metropolitan  
 4.24 Council's "2030 Transportation Policy Plan"; and

4.25 (2) five percent to the Metropolitan Council for annual distribution based on  
 4.26 population to counties in the metropolitan transportation area that are eligible for  
 4.27 distribution under section 473J.05, subdivision 2, with a minimum annual distribution to  
 4.28 each qualifying county of \$1,500,000. For purposes of this subdivision, "population"  
 4.29 has the meaning given in section 477A.011, subdivision 3. This money must be used,  
 4.30 as provided in section 473J.05, by counties, home rule charter and statutory cities, and  
 4.31 towns to plan, design, build, maintain, promote, and operate public transit, bicycle,  
 4.32 and pedestrian projects, and to plan, design, and provide transportation infrastructure  
 4.33 associated with transit-oriented development.

5.1 **EFFECTIVE DATE.** This section is effective for sales and purchases made after  
 5.2 June 30, 2007.

5.3 **Sec. 7. [473J.05] COUNTY USE OF DISTRIBUTION.**

5.4 Subdivision 1. **Purposes.** A county receiving money distributed by the Metropolitan  
 5.5 Council under section 473J.04 must distribute 50 percent of the funds to home rule  
 5.6 charter and statutory cities and towns within the county. To receive a distribution from  
 5.7 the county, a city or town shall apply for a grant from the county under this section by  
 5.8 the time required by the county. The application must contain information specifying  
 5.9 the project, amount of funds requested, and how the funds will be expended to further  
 5.10 the implementation of the project. Funds may be used by the county, or distributed to a  
 5.11 city for use by the city, only to:

5.12 (1) plan, design, build, maintain, promote, and operate public transit;

5.13 (2) plan, design, build, maintain, promote, and operate bicycle programs and  
 5.14 pathways including, but not limited to, bicycle racks, bicycle lockers, off-road bicycle  
 5.15 paths, on-street bicycle striping, signage, lighting, and other projects with a primary focus  
 5.16 on bicycle transportation;

5.17 (3) plan, design, build, maintain, promote, and operate pedestrian programs within  
 5.18 the county including, but not limited to, sidewalks, paths, signage, lighting, and pedestrian  
 5.19 crossings with an emphasis on pedestrian transportation;

5.20 (4) plan, design, and provide transportation infrastructure associated with  
 5.21 transit-oriented development; and

5.22 (5) provide the local match for federal transportation grants for projects that  
 5.23 encourage transit use, bicycling, and walking under the federal Transportation  
 5.24 Enhancement, Congestion Mitigation and Air Quality, or Surface Transportation programs.

5.25 Subd. 2. **Eligibility to receive money.** (a) To be eligible to receive money  
 5.26 distributed by the Metropolitan Council under section 473J.04, a county shall by January  
 5.27 1, 2007:

5.28 (1) create a separate account in its general fund to credit the money; and

5.29 (2) set up accounting procedures to ensure that money in the separate account is  
 5.30 spent only for the purposes in this section.

5.31 (b) In each following year, each county shall also submit a report by April 1 of each  
 5.32 year to the chair of the Metropolitan Council detailing for the previous calendar year:

5.33 (1) how the money was spent including, but not limited to, specific information on  
 5.34 the planning completed, the programs implemented, the staff resources required, and a full  
 5.35 accounting of how the revenues were spent and distributed to local communities; and

6.1 (2) the resulting increase in transit, bicycle, and pedestrian travel; the improvement  
6.2 in transit, bicycle, and pedestrian safety; the impact on roadway congestion; and the  
6.3 need for vehicle parking.

6.4 (c) The chair of the Metropolitan Council shall withhold all or part of the funds to be  
6.5 distributed to a county under this section if the county fails to comply with this section.  
6.6 Funds withheld under this paragraph may be distributed to the county in the following  
6.7 year if the requirements of this section have been met. If a county has not met these  
6.8 requirements by the date of the following year's distribution, the withheld funds and the  
6.9 funds for distribution to the county in the current year must be included in the amount for  
6.10 distribution to qualifying counties.

6.11 Subd. 3. **Report.** By July 1 of each odd-numbered year, the Metropolitan Council  
6.12 shall report on how the money was spent and the resulting improvements within the  
6.13 metropolitan area in transit, bicycle travel, pedestrian travel, and safety to the committees  
6.14 of the house of representatives and senate with jurisdiction over transportation and  
6.15 transportation finance.

6.16 **Sec. 8. REVISOR'S INSTRUCTION.**

6.17 The revisor of statutes shall change the term "metropolitan area transit fund" and  
6.18 the term "greater Minnesota transit fund" to "metropolitan area transit account" or  
6.19 "greater Minnesota transit account," respectively, in Minnesota Statutes, sections 174.24  
6.20 and 473.446.

6.21 **Sec. 9. EFFECTIVE DATE; APPLICATION.**

6.22 This act is effective July 1, 2007. Sections 3 to 7 apply in the counties of Anoka,  
6.23 Carver, Dakota, Hennepin, Ramsey, Scott, and Washington.