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State of Minnesota

HOUSE OF REPRESENTATIVES

NINETY-FIRST SESSION

H. F. No. 2814

04/04/2019 Authored by Runbeck, Torkelson, Murphy, Huot and Daniels
The bill was read for the first time and referred to the Committee on Ways and Means

1.1 A bill for an act
1.2 relating to transportation; establishing a rail infrastructure and economic
1.3 development program; modifying rail-related accounts; making technical changes;
1.4 amending Minnesota Statutes 2018, sections 222.49; 222.50, subdivision 7; 222.57;
1.5 222.63, subdivision 8; proposing coding for new law in Minnesota Statutes, chapter
1.6 222.

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

1.8 Section 1. Minnesota Statutes 2018, section 222.49, is amended to read:

1.9 222.49 RAIL SERVICE IMPROVEMENT ACCOUNTS; APPROPRIATION
1.10 TRANSFERS.

1.11 (a) A rail service improvement account is created in the special revenue fund in the state
1.12 treasury. The account consists of funds as provided by law, and any other money donated,
1.13 allotted, transferred, or otherwise provided to the account, excluding bond proceeds as
1.14 authorized by article XI, section 5, clause (i), of the Minnesota Constitution. All money so
1.15 deposited is appropriated to the department for expenditure for rail service improvement in
1.16 accordance with applicable state and federal law. This appropriation shall not lapse but shall
1.17 be available until the purpose for which it was appropriated has been accomplished. Annually
1.18 by June 30, the commissioner of transportation must transfer the entire unencumbered
1.19 balance in the rail service improvement account in the special revenue fund to the rail
1.20 infrastructure account in the special revenue fund.

1.21 (b) A rail service improvement account is created in the bond proceeds fund. The account
1.22 consists of state bond proceeds appropriated to the commissioner. Money in the account
1.23 may only be expended for the purposes specified in section 222.50 that are permitted under
1.24 the Minnesota Constitution, article XI, section 5, clause (a) or (i).

2.1 **EFFECTIVE DATE.** This section is effective June 30, 2019.

2.2 Sec. 2. Minnesota Statutes 2018, section 222.50, subdivision 7, is amended to read:

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

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

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

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

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

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

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

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

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

2.23 ~~(9)~~ (8) to fund rail planning studies; and

2.24 ~~(10)~~ (9) to pay a portion of the costs of capital improvement projects designed to improve  
2.25 capacity or safety at rail yards.

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

2.29 **EFFECTIVE DATE.** This section is effective June 30, 2019.

3.1 Sec. 3. **[222.505] RAIL INFRASTRUCTURE AND ECONOMIC DEVELOPMENT**  
3.2 **PROGRAM.**

3.3 Subdivision 1. **Definition.** For purposes of this section, "program" means the rail  
3.4 infrastructure and economic development program established in this section.

3.5 Subd. 2. **Program established.** The commissioners of transportation and employment  
3.6 and economic development must jointly establish a rail infrastructure and economic  
3.7 development program as provided in this section.

3.8 Subd. 3. **Rail infrastructure account; appropriation.** (a) A rail infrastructure account  
3.9 is established in the special revenue fund. The account consists of funds as provided in  
3.10 paragraph (b) and in sections 222.49 and 222.63, subdivision 8, and any other money  
3.11 donated, allotted, transferred, or otherwise provided to the account. The account must not  
3.12 include any bond proceeds authorized by the Minnesota Constitution, article XI, section 5,  
3.13 clause (i).

3.14 (b) All funds made available to the commissioner from the disposition of railroad  
3.15 right-of-way or of any other property acquired pursuant to sections 222.46 to 222.62 must  
3.16 be deposited in the rail infrastructure account.

3.17 (c) Funds in the account are annually appropriated to the commissioner of transportation  
3.18 for financial assistance awards under this section. The commissioners of transportation and  
3.19 employment and economic development are prohibited from expending funds from the  
3.20 account for administrative costs.

3.21 Subd. 4. **Program administration.** (a) The commissioners of transportation and  
3.22 employment and economic development must establish a project selection process for  
3.23 financial assistance under the program, in consultation with interested stakeholders who  
3.24 are eligible under subdivision 5 to receive financial assistance. The process must include  
3.25 public notice of available funds, procedures to submit applications, publicly available  
3.26 information on project evaluation and selection as provided in this section, and financial  
3.27 assistance awards. The commissioners must ensure that the process minimizes applicant  
3.28 burdens.

3.29 (b) The commissioners must maintain on an ongoing basis a project requests list that  
3.30 identifies all eligible projects that have been evaluated for financial assistance under the  
3.31 program.

3.32 (c) An applicant must apply for financial assistance in the manner and at the times  
3.33 determined by the commissioners.

4.1 (d) The commissioners must make reasonable efforts to (1) publicize each solicitation  
4.2 for applications among all eligible recipients, and (2) provide technical and informational  
4.3 assistance related to applications.

4.4 Subd. 5. **Award recipient eligibility.** (a) Eligible recipients of financial assistance under  
4.5 the program are:

4.6 (1) railroad companies that are classified by federal law or regulation as Class II railroads,  
4.7 Class II rail carriers, Class III railroads, or Class III rail carriers;

4.8 (2) rail users; and

4.9 (3) political subdivisions.

4.10 (b) An eligible recipient may receive funds regardless of rail facility ownership.

4.11 Subd. 6. **Project eligibility.** (a) To be eligible under the program, a project must meet  
4.12 one or more of the following:

4.13 (1) improve safety, efficiency, service, or capacity of railroad freight movement;

4.14 (2) provide for rail line capital maintenance, preservation, rehabilitation, or improvements;

4.15 (3) provide for economic development and job stability or growth of an area;

4.16 (4) maintain or improve rail trackage or facilities owned by a rail user, industrial park,  
4.17 port, or political subdivision; or

4.18 (5) provide for relocation of rail yards, or for relocation of facilities as requested by a  
4.19 political subdivision, which may include facilities of a Class I railroad or Class I rail carrier.

4.20 (b) The commissioner may provide financial assistance under the program for:

4.21 (1) capital improvement projects designed to improve a rail user or a rail carrier's rail  
4.22 service which includes but is not limited to rail track, track structures, and rail facilities and  
4.23 buildings;

4.24 (2) rehabilitation projects designed to improve a rail user or a rail carrier's rail service;

4.25 (3) development of industrial parks primarily or substantially served by rail service,  
4.26 which:

4.27 (i) includes capital improvements to or rehabilitation of main industrial lead track; and

4.28 (ii) excludes siding track designed to serve areas of an industrial park for which occupants  
4.29 are unidentified or uncommitted; and

5.1 (4) highway-rail grade crossing improvement or grade separation projects, including  
 5.2 but not limited to the local matching portion for federal grants.

5.3 Subd. 7. **Evaluation and prioritization.** The commissioners of transportation and  
 5.4 employment and economic development must establish project evaluation criteria to  
 5.5 determine financial assistance awards. At a minimum, the criteria must objectively prioritize  
 5.6 projects that:

5.7 (1) provide economic and employment impacts, including but not limited to  
 5.8 responsiveness to emergent market conditions; and

5.9 (2) address rail lines that have deteriorated or are in danger of deteriorating to such a  
 5.10 degree that the rail line is unable to carry the speeds and weights necessary to efficiently  
 5.11 transport goods and products that maintain or improve the rail user's competitiveness.

5.12 Subd. 8. **Financial assistance; limitations.** (a) When calculated in conjunction with  
 5.13 any other state sources of funds, an award of financial assistance under the program must  
 5.14 not provide combined state funding that exceeds 85 percent of the total project cost estimate.

5.15 (b) The commissioners of transportation and employment and economic development  
 5.16 must ensure that financial assistance is provided in a manner that is balanced throughout  
 5.17 the state, including with respect to (1) the number of projects receiving funding in a particular  
 5.18 geographic location or region of the state, and (2) the total amount of financial assistance  
 5.19 provided for projects in a particular geographic location or region of the state.

5.20 Subd. 9. **Design, engineering, and construction standards.** (a) The commissioner of  
 5.21 transportation is prohibited from establishing specifications or engineering standards that  
 5.22 are more restrictive than federal track safety standards under Code of Federal Regulations,  
 5.23 title 49, part 213, or successor requirements, for track and track structures awarded financial  
 5.24 assistance under the program.

5.25 (b) The relevant requirements under sections 16B.30 to 16B.355 do not apply to rail  
 5.26 facilities and buildings awarded financial assistance under the program.

5.27 **EFFECTIVE DATE.** This section is effective June 30, 2019.

5.28 Sec. 4. Minnesota Statutes 2018, section 222.57, is amended to read:

5.29 **222.57 RAIL USER AND RAIL CARRIER LOAN GUARANTEE ACCOUNT.**

5.30 There is created a rail user and rail carrier loan guarantee account as a separate account  
 5.31 in the rail service improvement account, which shall be used by the commissioner for  
 5.32 carrying out the provisions of sections 222.55 to 222.62 with respect to loans insured under

6.1 section 222.58. The commissioner may transfer to the rail user and rail carrier loan guarantee  
 6.2 account from money otherwise available in the rail ~~service improvement~~ infrastructure  
 6.3 account whatever amount is necessary to implement the rail user and rail carrier loan  
 6.4 guarantee program, except that bond proceeds may not be transferred to the account for  
 6.5 insurance of loans made for the purposes specified in section 222.58, subdivision 2, paragraph  
 6.6 (b), clauses (3) to (5). The commissioner may withdraw any amount from the rail user and  
 6.7 rail carrier loan guarantee account that is not required to insure outstanding loans as provided  
 6.8 in section 222.60, subdivision 1.

6.9 **EFFECTIVE DATE.** This section is effective June 30, 2019.

6.10 Sec. 5. Minnesota Statutes 2018, section 222.63, subdivision 8, is amended to read:

6.11 Subd. 8. **Rail bank accounts; appropriation.** (a) A special account shall be maintained  
 6.12 in the state treasury, designated as the rail bank maintenance account, is established in the  
 6.13 special revenue fund to record the receipts and expenditures of the commissioner of  
 6.14 transportation for the maintenance of rail bank property. Funds received by the commissioner  
 6.15 of transportation from interest earnings, administrative payments, rentals, fees, or charges  
 6.16 for the use of rail bank property, or received from rail line rehabilitation contracts ~~shall be~~  
 6.17 are credited to the rail bank maintenance account and used for the maintenance of that  
 6.18 property and held as a reserve for maintenance expenses in an amount determined by the  
 6.19 commissioner, ~~and~~. Amounts received in the rail bank maintenance account in excess of  
 6.20 the reserve requirements ~~shall~~ must be transferred to the rail ~~service improvement~~  
 6.21 infrastructure account under section 222.505, subdivision 3.

6.22 (b) All proceeds of the sale of abandoned rail lines shall must be deposited in the rail  
 6.23 ~~service improvement~~ infrastructure account.

6.24 (c) All money to be deposited in this the rail service improvement bank maintenance  
 6.25 account as provided in this subdivision is appropriated to the commissioner of transportation  
 6.26 for the purposes of this section. The appropriations shall do not lapse but shall be and are  
 6.27 available until the purposes for which the funds are appropriated are accomplished.

6.28 **EFFECTIVE DATE.** This section is effective June 30, 2019.

6.29 Sec. 6. **RAIL INFRASTRUCTURE AND ECONOMIC DEVELOPMENT**  
 6.30 **PROGRAM; PROJECT SELECTION.**

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

7.1 (b) "Commissioners" means the commissioners of transportation and employment and  
7.2 economic development. The commissioners must act jointly under this section unless  
7.3 specified otherwise.

7.4 (c) "Program" means the rail infrastructure and economic development program under  
7.5 Minnesota Statutes, section 222.505.

7.6 Subd. 2. **Process development.** Within 45 days of the day of enactment of this section,  
7.7 the commissioners must convene interested stakeholders who are eligible recipients of  
7.8 financial assistance under the program, in order to collaboratively develop the process for  
7.9 applications, evaluation, and award of financial assistance.

7.10 Subd. 3. **First priority projects.** (a) Notwithstanding Minnesota Statutes, section  
7.11 222.505, subdivision 4, the commissioners must give first priority to the following projects:

7.12 (1) North Shore Scenic Railroad: rail siding in the vicinity of Knife River;

7.13 (2) Progressive Rail: ties and surface rock in Bloomington and Rosemount, rail siding  
7.14 in Bloomington, bridge repair in Bloomington, and track replacement in the vicinity of  
7.15 Comus to Faribault;

7.16 (3) city of Otsego: rail infrastructure to serve a proposed industrial park;

7.17 (4) city of Monticello: highway-rail crossings;

7.18 (5) city of Big Lake: rail infrastructure for a proposed industrial park;

7.19 (6) city of Becker: rail infrastructure for an industrial park expansion;

7.20 (7) Twin Cities & Western Railroad: track maintenance and replacement, rail siding,  
7.21 and track rehabilitation in Savage for port access;

7.22 (8) Northern Plains Railroad: ties, ballast, rail relay, grade crossing, and geostabilization;

7.23 (9) Minnesota Commercial Railway: updating and replacing rail in yards and on railroad  
7.24 and extending sidings;

7.25 (10) Minnesota Northern Railroad and St. Croix Valley Railroad: track replacement,  
7.26 ties, and ballast; and

7.27 (11) Ellis & Eastern Railroad: bridge and culvert maintenance and replacement, ties,  
7.28 and track rehabilitation.

7.29 (b) The priority projects specified under paragraph (a) are added to the project requests  
7.30 list under Minnesota Statutes, section 222.505, subdivision 4, subject to submission of

8.1 applications. Identified project activities are not comprehensive and do not limit use of  
8.2 funds under the program.

8.3 (c) The priority projects specified under paragraph (a) must remain on the project requests  
8.4 list as the priority unless fully funded, completed, or requested to be removed by the  
8.5 appropriate project sponsor or lead. Nothing in this section prevents evaluation and  
8.6 prioritization among the priority projects in the manner provided under Minnesota Statutes,  
8.7 section 222.505, subdivision 7.

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