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HOUSE FILE No. 3486

FIRST COMMITTEE ENGROSSMENT

March 8, 2010

Authored by Morrow

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

Referred by Chair to Transportation Finance and Policy Division.

March 23, 2010

Returned to the Committee on Finance as Amended.

1.1 A bill for an act
1.2 relating to transportation; appropriating federal transit funds for disbursement
1.3 by commissioner of transportation; modifying or adding provisions relating to
1.4 transit financial assistance; amending Minnesota Statutes 2008, sections 174.22,
1.5 by adding a subdivision; 174.23, subdivisions 1, 2; 174.24, subdivisions 2, 3b,
1.6 by adding a subdivision; 174.247; Minnesota Statutes 2009 Supplement, section
1.7 174.24, subdivisions 1a, 5.

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

1.9 Section 1. Minnesota Statutes 2008, section 174.22, is amended by adding a
1.10 subdivision to read:

1.11 Subd. 14a. State sources of funds. "State sources of funds" means funding for the
1.12 public transit participation program appropriated from (1) the general fund, and (2) the
1.13 greater Minnesota transit account.

1.14 Sec. 2. Minnesota Statutes 2008, section 174.23, subdivision 1, is amended to read:

1.15 Subdivision 1. **General.** (a) The commissioner shall have all powers necessary and
1.16 convenient to carry out the provisions of sections 174.21 to 174.27 including the power to:

1.17 (1) review applications for financial assistance, execute contracts, and obligate
1.18 and expend program funds, upon conditions and limitations as the commissioner deems
1.19 necessary for purposes of program and project implementation, operation, and evaluation;

1.20 (2) accept and disburse federal funds available for the purposes of sections 174.21 to
1.21 174.27, and such funds are appropriated to the commissioner; and

1.22 (3) act upon request as the designated agent of any eligible person for the receipt and
1.23 disbursal of federal funds.

2.1 **(b)** The commissioner shall perform the duties and exercise the powers under
2.2 sections 174.21 to 174.27 in coordination with and in furtherance of statewide,
2.3 regional, and local transportation plans and transportation development programs. ~~The~~
2.4 ~~commissioner shall set guidelines for financial assistance under the public transit subsidy~~
2.5 ~~program. The commissioner shall present any proposed guidelines regarding public transit~~
2.6 ~~financial assistance to a legislative committee composed of equal numbers appointed by~~
2.7 ~~the house of representatives local and urban affairs and senate transportation committees.~~
2.8 ~~The commissioner shall not implement any new guidelines regarding public transit~~
2.9 ~~financial assistance, between the period January 1, 1981 to April 15, 1982, without the~~
2.10 ~~prior approval of that committee.~~

2.11 Sec. 3. Minnesota Statutes 2008, section 174.23, subdivision 2, is amended to read:

2.12 Subd. 2. **Financial assistance; application, approval.** (a) The commissioner
2.13 shall seek out and select eligible recipients of financial assistance under sections 174.21
2.14 to 174.27.

2.15 **(b)** The commissioner shall establish by rule the procedures and standards for review
2.16 and approval of applications for financial assistance submitted to the commissioner
2.17 pursuant to sections 174.21 to 174.27. Any applicant shall provide to the commissioner
2.18 any financial or other information required by the commissioner to carry out the
2.19 commissioner's duties. The commissioner may require local contributions from applicants
2.20 as a condition for receiving financial assistance.

2.21 **(c)** Before the commissioner approves any grant, the application for the grant ~~shall~~
2.22 ~~may be reviewed and approved~~ by the appropriate regional development commission only
2.23 for consistency with regional transportation plans and development guides. If an applicant
2.24 proposes a project within the jurisdiction of a transit authority or commission or a transit
2.25 system assisted or operated by a city or county, the application shall also be reviewed
2.26 by that commission, authority, or political subdivision for consistency with its transit
2.27 programs, policies, and plans. ~~Any regional development commission that has not adopted~~
2.28 ~~a transportation plan may review but may not approve or disapprove of any application.~~

2.29 Sec. 4. Minnesota Statutes 2009 Supplement, section 174.24, subdivision 1a, is
2.30 amended to read:

2.31 Subd. 1a. ~~Transit service needs implementation~~ **Greater Minnesota transit**
2.32 **investment plan.** (a) The commissioner shall develop a greater Minnesota transit service
2.33 ~~needs implementation~~ investment plan that contains a goal of meeting at least 80 percent

3.1 of ~~unmet~~ total transit service needs in greater Minnesota by July 1, 2015, and meeting at
3.2 least 90 percent of ~~unmet~~ total transit service needs in greater Minnesota by July 1, 2025.

3.3 (b) The plan must include, but is not limited to, the following:

3.4 (1) an analysis of ridership and total transit service needs throughout greater
3.5 Minnesota;

3.6 (2) a calculation of ~~unmet needs; an assessment~~ of the level and type of service
3.7 required to meet ~~unmet~~ total transit service needs, for the transit system classifications
3.8 as provided under subdivision 3b, paragraph (c), of urbanized area, small urban area,
3.9 rural area, and elderly and disabled service;

3.10 (3) an analysis of costs and revenue options; ~~and;~~

3.11 (4) a plan to reduce ~~unmet~~ total transit service needs as specified in this subdivision;
3.12 and

3.13 (5) identification of the operating and capital costs necessary to meet 100 percent of
3.14 the greater Minnesota transit targeted and projected bus service hours, as identified in the
3.15 greater Minnesota transit plan, for 2010, 2015, 2020, 2025, and 2030.

3.16 (c) The plan must specifically address special transportation service ridership and
3.17 needs. The plan must also provide that recipients of operating assistance under this
3.18 section provide fixed route public transit service without charge for disabled veterans in
3.19 accordance with subdivision 7. ~~The commissioner may amend the plan as necessary, and~~
3.20 ~~may use all or part of the 2001 greater Minnesota public transportation plan created by the~~
3.21 ~~Minnesota Department of Transportation.~~

3.22 Sec. 5. Minnesota Statutes 2008, section 174.24, subdivision 2, is amended to read:

3.23 Subd. 2. **Eligibility; application.** Any legislatively established public transit
3.24 commission or authority, any county or statutory or home rule charter city providing
3.25 financial assistance to or operating public transit, any private operator of public transit, or
3.26 any combination thereof is eligible to receive financial assistance through the public transit
3.27 participation program. Except as provided in subdivision 2b for assistance provided from
3.28 federal funds, eligible recipients must be located outside of the metropolitan area.

3.29 Sec. 6. Minnesota Statutes 2008, section 174.24, is amended by adding a subdivision
3.30 to read:

3.31 Subd. 2b. **Federal aid.** (a) The commissioner may accept and disburse federal funds
3.32 received and appropriated under section 174.23, subdivision 1, as an additional source of
3.33 funds for implementing the public transit participation program established in this section.
3.34 This authority includes, but is not limited to:

4.1 (1) adopting administrative rules to establish financial assistance allocation priorities,
4.2 identify factors to consider in reviewing an applicant's management plan, evaluate a
4.3 request for financial assistance, and determine the amount of financial assistance to be
4.4 provided; and

4.5 (2) establishing project selection criteria under the United States Code, title 49,
4.6 section 5311, state management plan as approved by the Federal Transit Administration,
4.7 United States Department of Transportation.

4.8 (b) If the commissioner accepts and disburses federal funds as provided in paragraph
4.9 (a), the commissioner shall:

4.10 (1) maintain separate accounts for (i) state sources of funds, and (ii) federal sources
4.11 of funding; and

4.12 (2) ensure that all state sources of funds are only used for assistance to eligible
4.13 recipients as provided in subdivision 2.

4.14 Sec. 7. Minnesota Statutes 2008, section 174.24, subdivision 3b, is amended to read:

4.15 Subd. 3b. **Operating assistance; recipient classifications.** (a) The commissioner
4.16 shall determine the total operating cost of any public transit system receiving or applying
4.17 for assistance in accordance with generally accepted accounting principles. To be eligible
4.18 for financial assistance, an applicant or recipient shall provide to the commissioner
4.19 all financial records and other information and shall permit any inspection reasonably
4.20 necessary to determine total operating cost and correspondingly the amount of assistance
4.21 that may be paid to the applicant or recipient. Where more than one county or municipality
4.22 contributes assistance to the operation of a public transit system, the commissioner shall
4.23 identify one as lead agency for the purpose of receiving money under this section.

4.24 (b) Prior to distributing operating assistance to eligible recipients for any contract
4.25 period, the commissioner shall place all recipients into one of the following classifications:
4.26 urbanized area service, small urban area service, rural area service, and elderly and
4.27 disabled service.

4.28 (c) The commissioner shall distribute funds under this section so that the percentage
4.29 of total contracted operating cost paid by any recipient from local sources will not exceed
4.30 the percentage for that recipient's classification, except as provided in ~~an undue hardship~~
4.31 ~~case~~ this subdivision. The percentages must be:

4.32 (1) for urbanized area service and small urban area service, 20 percent;

4.33 (2) for rural area service, 15 percent; and

4.34 (3) for elderly and disabled service, 15 percent.

5.1 Except as provided in a United States Department of Transportation program allowing
5.2 or requiring a lower percentage to be paid from local sources, the remainder of the
5.3 recipient's total contracted operating cost will be paid from state sources of funds less any
5.4 assistance received by the recipient from ~~any federal source~~ the United States Department
5.5 of Transportation.

5.6 (d) For purposes of this subdivision, "local sources" means all local sources of funds
5.7 and includes all operating revenue, tax levies, and contributions from public funds, except
5.8 that the commissioner may exclude from the total assistance contract revenues derived
5.9 from operations the cost of which is excluded from the computation of total operating
5.10 cost. ~~Total operating costs of the Duluth Transit Authority or a successor agency does~~
5.11 ~~not include costs related to the Superior, Wisconsin service contract and the Independent~~
5.12 ~~School District No. 709 service contract.~~

5.13 ~~(e)~~ (e) If a recipient informs the commissioner in writing after the establishment of
5.14 these percentages but prior to the distribution of financial assistance for any year that
5.15 paying its designated percentage of total operating cost from local sources will cause
5.16 undue hardship, the commissioner may reduce the percentage to be paid from local
5.17 sources by the recipient and increase the percentage to be paid from local sources by one
5.18 or more other recipients inside or outside the classification. However, the commissioner
5.19 may not reduce or increase any recipient's percentage under this paragraph for more than
5.20 two years successively. If for any year the funds appropriated to the commissioner to carry
5.21 out the purposes of this section are insufficient to allow the commissioner to pay the state
5.22 share of total operating cost as provided in this paragraph, the commissioner shall reduce
5.23 the state share in each classification to the extent necessary.

5.24 Sec. 8. Minnesota Statutes 2009 Supplement, section 174.24, subdivision 5, is
5.25 amended to read:

5.26 Subd. 5. **Method of payment, operating assistance.** Payments for operating
5.27 assistance under this section from state sources of funds must be made in the following
5.28 manner:

5.29 (a) For payments made from the general fund:

5.30 (1) 50 percent of the total contract amount in or before the first month of operation;

5.31 (2) 40 percent of the total contract amount in or before the seventh month of
5.32 operation;

5.33 (3) 9 percent of the total contract amount in or before the 12th month of operation;

5.34 and

5.35 (4) 1 percent of the total contract amount after the final audit.

6.1 (b) For payments made from the greater Minnesota transit account:

6.2 (1) 50 percent of the total contract amount in or before the seventh month of
6.3 operation; and

6.4 (2) 50 percent of the total contract amount in or before the 11th month of operation.

6.5 Sec. 9. Minnesota Statutes 2008, section 174.247, is amended to read:

6.6 **174.247 ANNUAL TRANSIT REPORT.**

6.7 (a) By February 15 annually, the commissioner shall submit a report to the legislature
6.8 on transit services outside the metropolitan area. The Metropolitan Council and any
6.9 public transit system receiving assistance under section 174.24 shall provide assistance
6.10 in creating the report, as requested by the commissioner.

6.11 (b) The report must include, at a minimum, the following:

6.12 (1) a descriptive overview of public transit in Minnesota;

6.13 (2) a descriptive summary of funding sources and assistance programs;

6.14 (3) a summary of each public transit system receiving assistance under section
6.15 174.24;

6.16 (4) data that identifies use of volunteers in providing transit service;

6.17 (5) financial data that identifies ~~operating and capital costs, and funding sources,~~
6.18 for each public transit system and for each transit system classification under section
6.19 174.24, subdivision 3b;

6.20 (i) the operating and capital costs;

6.21 (ii) each of the funding sources used to provide financial assistance; and

6.22 (iii) for federal funds, the amount from each specific federal program under which
6.23 funding is provided;

6.24 (6) a summary of the differences in program implementation requirements and aid
6.25 recipient eligibility between federal aid and state sources of funds;

6.26 (7) in each odd-numbered year, an analysis of public transit system needs and
6.27 operating expenditures on an annual basis, which must include a methodology for
6.28 identifying monetary needs, and calculations of:

6.29 (i) the total monetary needs for all public transit systems, for the year of the report
6.30 and the ensuing five years;

6.31 (ii) the total expenditures from local sources for each transit system classification;

6.32 (iii) the comprehensive transit assistance percentage for each transit system
6.33 classification, which equals (A) the expenditures identified under clause (7), item (ii), for
6.34 a transit system classification, divided by (B) the amounts identified under subitem (A),

7.1 plus the sum of state sources of funds plus federal funds provided to all transit systems
7.2 in that classification; and

7.3 ~~(iv) in each odd-numbered year, beginning in 2009, a calculation of the amounts the~~
7.4 ~~amount of surplus or insufficient funds available for (i) paying the state share of transit~~
7.5 ~~operating costs under section 174.24, subdivision 3b, and (ii) paying capital and operating~~
7.6 ~~costs to fully implement the transit service needs implementation greater Minnesota transit~~
7.7 investment plan under section 174.24, subdivision 1a.