

**SENATE
STATE OF MINNESOTA
NINETY-FIRST SESSION**

S.F. No. 2981

(SENATE AUTHORS: GOGGIN)

DATE
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Introduction and first reading
Referred to Transportation Finance and Policy

OFFICIAL STATUS

1.1 A bill for an act
1.2 relating to transportation; proposing an amendment to the Minnesota Constitution,
1.3 article XIV, to eliminate a population eligibility requirement for allocating
1.4 municipal state-aid street funds; making conforming and technical changes;
1.5 amending Minnesota Statutes 2018, sections 160.02, subdivision 21; 161.083;
1.6 162.09, subdivisions 1, 4; 162.12, subdivisions 1, 3; 162.13; 162.14, subdivision
1.7 1; 162.145, subdivision 1; 162.17, subdivision 1; 162.18, subdivision 1.

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

1.9 **ARTICLE 1**
1.10 **CONSTITUTIONAL AMENDMENTS**

1.11 Section 1. **CONSTITUTIONAL AMENDMENTS PROPOSED.**

1.12 An amendment to the Minnesota Constitution is proposed to the people. If the amendment
1.13 is adopted, article XIV, section 4, will read:

1.14 Sec. 4. A municipal state-aid street system shall be constructed, improved and maintained
1.15 as public highways by municipalities ~~having a population of 5,000 or more~~ in the manner
1.16 provided by law.

1.17 article XIV, section 8, will read:

1.18 Sec. 8. There is hereby created a municipal state-aid street fund to be apportioned as
1.19 provided by law among municipalities ~~having a population of 5,000 or more~~. The fund shall
1.20 be used by municipalities as provided by law for the construction, improvement and
1.21 maintenance of municipal state-aid streets. The legislature may authorize municipalities to
1.22 use a part of the fund in the construction, improvement and maintenance of other municipal

2.1 streets, trunk highways, and county state-aid highways within the counties in which the
2.2 municipality is located.

2.3 Sec. 2. SUBMISSION TO VOTERS.

2.4 (a) The proposed amendment under section 1 must be submitted to the people at the
2.5 2020 general election. The question submitted must be:

2.6 "Shall the Minnesota Constitution be amended so that the existing constitutionally
2.7 dedicated funding for municipal roads and bridges is distributed among all Minnesota cities?"

2.8 Yes

2.9 No "

2.10 (b) The title required under Minnesota Statutes, section 204D.15, subdivision 1, for the
2.11 question submitted to the people under paragraph (a) is "Fairness in Municipal Road and
2.12 Bridge Funding."

2.13 **ARTICLE 2**

2.14 **CONSTITUTIONAL AMENDMENT IMPLEMENTATION**

2.15 Section 1. Minnesota Statutes 2018, section 160.02, subdivision 21, is amended to read:

2.16 Subd. 21. **Municipal state-aid streets.** "Municipal state-aid streets" includes all streets
2.17 ~~within the cities having a population of 5,000 or more,~~ that are established in accordance
2.18 with law as municipal state-aid streets.

2.19 Sec. 2. Minnesota Statutes 2018, section 161.083, is amended to read:

2.20 **161.083 MUNICIPAL TURNBACK ACCOUNT, EXPENDITURE.**

2.21 Except as hereinafter provided, all money accruing to the municipal turnback account
2.22 shall be expended in accordance with rules of the commissioner of transportation in paying
2.23 a municipality ~~having a population of 5,000 or more~~ for the reconstruction and improvement
2.24 of former trunk highways, or portions thereof, that have reverted to such municipality in
2.25 accordance with law, and have become a part of the municipal state-aid street system.

2.26 Sec. 3. Minnesota Statutes 2018, section 162.09, subdivision 1, is amended to read:

2.27 Subdivision 1. **Creation; mileage limitation; rules.** (a) There is created a municipal
2.28 state-aid street system within statutory and home rule charter cities ~~having a population of~~
2.29 ~~5,000 or more.~~ The extent of the municipal state-aid street system for a city shall not exceed:

3.1 (1) 20 percent of the total miles of city streets and county roads partially or totally within
3.2 the jurisdiction of that city; plus

3.3 (2) the mileage of all trunk highways reverted or turned back to the jurisdiction of the
3.4 city pursuant to law on and after July 1, 1965; plus

3.5 (3) the mileage of county highways reverted or turned back to the jurisdiction of the city
3.6 pursuant to law on or after May 11, 1994.

3.7 (b) For purposes of this subdivision, the total miles of city streets and county roads
3.8 within the jurisdiction of a city includes all miles of county highways turned back to that
3.9 city's jurisdiction on or after May 11, 1994.

3.10 (c) The system shall be established, located, constructed, reconstructed, improved, and
3.11 maintained as public highways partially or totally within such cities under rules, not
3.12 inconsistent with this section, made and promulgated by the commissioner as hereinafter
3.13 provided.

3.14 Sec. 4. Minnesota Statutes 2018, section 162.09, subdivision 4, is amended to read:

3.15 Subd. 4. **Federal census is conclusive.** (a) In determining whether any city has a
3.16 population of 5,000 or more, the last federal census shall be conclusive, except as otherwise
3.17 provided in this subdivision.

3.18 (b) The governing body of a city may contract with the United States Bureau of the
3.19 Census to take a special census. A certified copy of the results of the census shall be filed
3.20 with the appropriate state authorities by the city. The result of the census shall be the
3.21 population of the city for the purposes of any law providing that population is a required
3.22 qualification for distribution of highway aids under chapter 162. The special census shall
3.23 remain in effect until the next federal census is completed and filed. The expense of taking
3.24 the special census shall be paid by the city.

3.25 (c) If an entire area not heretofore incorporated as a city is incorporated as such during
3.26 the interval between federal censuses, its population shall be determined by its incorporation
3.27 census. The incorporation census shall be determinative of the population of the city only
3.28 until the next federal census.

3.29 (d) The population of a city created by the consolidation of two or more previously
3.30 incorporated cities shall be determined by the most recent population estimate of the
3.31 Metropolitan Council or state demographer, until the first federal decennial census or special
3.32 census taken after the consolidation.

4.1 (e) The population of a city that is not receiving a municipal state-aid street fund
 4.2 apportionment shall be determined, upon request of the city, by the most recent population
 4.3 estimate of the Metropolitan Council or state demographer. A municipal state-aid street
 4.4 fund apportionment received by the city must be based on this population estimate until the
 4.5 next federal decennial census or special census.

4.6 (f) A city that is found in the most recent federal decennial census to have a population
 4.7 of less than 5,000 is deemed for the purposes of this chapter ~~and the Minnesota Constitution,~~
 4.8 ~~article XIV~~, to have a population of 5,000 or more under the following circumstances: (1)
 4.9 immediately before the most recent federal decennial census, the city was receiving municipal
 4.10 state-aid street fund distributions; and (2) the population of the city was found in the most
 4.11 recent federal decennial census to be less than 5,000. Following the end of the first calendar
 4.12 year that ends in "5" after the decennial census and until the next decennial census, the
 4.13 population of any city must be determined under paragraphs (a) to (e).

4.14 Sec. 5. Minnesota Statutes 2018, section 162.12, subdivision 1, is amended to read:

4.15 Subdivision 1. **Estimate of accruals.** By December 15 of each year the commissioner
 4.16 shall estimate the amount of money that will be available to the municipal state-aid street
 4.17 fund during that fiscal year. The amount available is based on actual receipts at the time of
 4.18 the allocation calculation, the unallocated fund balance, and the projected receipts for the
 4.19 remainder of the fiscal year. The total available, except for deductions as provided ~~herein~~
 4.20 in this section, shall be apportioned by the commissioner to ~~the cities having a population~~
 4.21 ~~of 5,000 or more as hereinafter provided~~ in this chapter.

4.22 Sec. 6. Minnesota Statutes 2018, section 162.12, subdivision 3, is amended to read:

4.23 Subd. 3. **Disaster account.** (a) After deducting administrative costs as provided in
 4.24 subdivision 2, the commissioner shall set aside each year a sum of money equal to two
 4.25 percent of the remaining money in the municipal state-aid street fund to provide for a disaster
 4.26 account; provided, that the total amount of money in the disaster account must never exceed
 4.27 three percent of the total sums to be apportioned to ~~the~~ statutory and home rule charter cities
 4.28 ~~having a population of 5,000 or more~~. The disaster account must be used to provide aid to
 4.29 any city encountering disaster or unforeseen event affecting the municipal state-aid street
 4.30 system of the city, and resulting in an undue and burdensome financial hardship.

4.31 (b) Any city desiring aid by reason of disaster or unforeseen event shall request aid in
 4.32 the form required by the commissioner. Upon receipt of the request the commissioner shall
 4.33 appoint a board consisting of two representatives of the cities, who must be either a city

5.1 engineer or member of the governing body of a city, from cities other than the requesting
 5.2 city, and a representative of the commissioner. The board shall investigate the matter and
 5.3 report its findings and recommendations in writing to the commissioner.

5.4 (c) Final determination of the amount of aid, if any, to be paid to the city from the disaster
 5.5 account must be made by the commissioner. Upon determining to aid the city, the
 5.6 commissioner shall certify the amount payable to the fiscal officer of the city. Money so
 5.7 paid must be expended on the municipal state-aid street system in accordance with rules of
 5.8 the commissioner.

5.9 Sec. 7. Minnesota Statutes 2018, section 162.13, is amended to read:

5.10 **162.13 FORMULA FOR APPORTIONMENT TO CITIES.**

5.11 Subdivision 1. **Factors in formula.** After deducting for administrative costs and for the
 5.12 disaster fund and research account as ~~heretofore~~ provided in section 162.12, the remainder
 5.13 of the total sum provided for in section 162.12, subdivision 1, shall be identified as the
 5.14 apportionment sum, and shall be apportioned by the commissioner to ~~the~~ statutory and home
 5.15 rule charter cities ~~having a population of 5,000 or more~~, in accordance with the following
 5.16 formula:

5.17 (1) an amount equal to 50 percent of ~~such~~ the apportionment sum shall be apportioned
 5.18 among the cities ~~having a population of 5,000 or more~~ so that each such city shall receive
 5.19 of such amount the percentage that its money needs bears to the total money needs of all
 5.20 such cities-; and

5.21 (2) an amount equal to 50 percent of ~~such~~ the apportionment sum shall be apportioned
 5.22 among the cities ~~having a population of 5,000 or more~~ so that each such city shall receive
 5.23 of such amount the percentage that its population bears to the total population of all such
 5.24 cities. For purposes of this subdivision, the population of a city is the greater of 5,000 or
 5.25 the number calculated under section 162.09, subdivision 4, paragraph (a), (b), (c), (d), or
 5.26 (e).

5.27 Subd. 2. **Money needs defined.** For the purpose of this section money needs of each
 5.28 city ~~having a population of 5,000 or more~~ are defined as the estimated cost of constructing
 5.29 and maintaining over a period of 25 years the municipal state-aid street system in such city.
 5.30 Right-of-way costs and drainage shall be included in money needs. Lighting costs and other
 5.31 costs incidental to construction and maintenance, or a specified portion of such costs, as set
 5.32 forth in the commissioner's rules, may be included in determining money needs. To avoid
 5.33 variances in costs due to differences in construction and maintenance policy, construction

6.1 and maintenance costs shall be estimated on the basis of the engineering standards developed
6.2 cooperatively by the commissioner and the engineers, or a committee thereof, of the cities.

6.3 Subd. 3. **Screening board.** On or before September 1 of each year, the engineer of each
6.4 city ~~having a population of 5,000 or more~~ shall forward to the commissioner on forms
6.5 prepared by the commissioner, all information relating to the money needs of the city that
6.6 the commissioner deems necessary in order to apportion the municipal state-aid street fund
6.7 in accordance with the apportionment formula ~~heretofore set forth~~. Upon receipt of the
6.8 information the commissioner shall appoint a board of city engineers. The board shall be
6.9 composed of one engineer from each state highway construction district; ~~and in addition~~
6.10 ~~thereto~~, one engineer from each city of the first class. The board shall investigate and review
6.11 the information submitted by each city. On or before November 1 of each year, the board
6.12 shall submit its findings and recommendations in writing as to each city's money needs to
6.13 the commissioner on a form prepared by the commissioner. Final determination of the
6.14 money needs of each city shall be made by the commissioner. In the event that any city
6.15 shall fail to submit the required information ~~provided for herein~~, the commissioner shall
6.16 estimate the money needs of the city. The estimate shall be used in solving the apportionment
6.17 formula. The commissioner may withhold payment of the amount apportioned to the city
6.18 until the information is submitted.

6.19 Sec. 8. Minnesota Statutes 2018, section 162.14, subdivision 1, is amended to read:

6.20 Subdivision 1. **Statement of apportionment to each city.** Upon determining the amount
6.21 of money to be apportioned to each of the cities ~~having a population of 5,000 or more~~, the
6.22 commissioner shall ~~forthwith~~ send a statement of the amount to the commissioner of
6.23 management and budget and to the clerk and engineer of each such city. The amount so
6.24 apportioned to each city shall be paid by the state to the fiscal officer of the city out of the
6.25 municipal state-aid street fund as hereinafter provided and in accordance with rules
6.26 ~~promulgated~~ adopted by the commissioner, not inconsistent herewith.

6.27 Sec. 9. Minnesota Statutes 2018, section 162.145, subdivision 1, is amended to read:

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

6.30 (b) "Eligible city" means a statutory or home rule charter city ~~that does not receive~~
6.31 ~~municipal state aid under sections 162.09 to 162.14~~ with a population under 5,000 as
6.32 determined under section 162.09, subdivision 4, in the calendar year in which funds are
6.33 distributed under this section.

7.1 (c) "Maximum aid" means 3.5 multiplied by the unweighted average amount of assistance
7.2 to a city in a fiscal year.

7.3 (d) "Population" means the most recent population estimated or established as of 30
7.4 days before the date of an allocation under subdivision 4, of (i) the most recent federal
7.5 census, (ii) a special census conducted under contract with the United States Bureau of the
7.6 Census, (iii) a population estimate made by the Metropolitan Council pursuant to section
7.7 473.24, or (iv) a population estimate of the state demographer made pursuant to section
7.8 4A.02.

7.9 (e) "State-aid adjustment factor" means the greater of zero, or:

7.10 (1) 0.005; minus

7.11 (2) the number of lane miles of county state-aid highway in a city, divided by the total
7.12 number of lane miles of county state-aid highway in all eligible cities.

7.13 (f) "Total population" means the sum of populations of all eligible cities.

7.14 Sec. 10. Minnesota Statutes 2018, section 162.17, subdivision 1, is amended to read:

7.15 Subdivision 1. **Agreements with city having population of 5,000 or more.** The
7.16 governing body of any city ~~having a population of 5,000 or more~~ may enter into cooperative
7.17 agreements with the county board of the county in which the city is located, providing for
7.18 the division of costs and responsibilities to be borne by each for right-of-way, construction,
7.19 improvement and maintenance, including snow removal, of county state-aid highways and
7.20 municipal state-aid streets established and located within such cities.

7.21 Sec. 11. Minnesota Statutes 2018, section 162.18, subdivision 1, is amended to read:

7.22 Subdivision 1. **Limitation on amount.** Any city ~~having a population of 5,000 or more~~
7.23 may in accordance with chapter 475, except as otherwise provided herein, issue and sell its
7.24 obligations for the purpose of establishing, locating, relocating, constructing, reconstructing,
7.25 and improving municipal state-aid streets therein. In the resolution providing for the issuance
7.26 of the obligations, the governing body of the municipality shall irrevocably pledge and
7.27 appropriate to the sinking fund from which the obligations are payable, an amount of the
7.28 moneys allotted or to be allotted to the municipality from its account in the municipal
7.29 state-aid street fund sufficient to pay the principal of and the interest on the obligations as
7.30 they respectively come due. The obligations shall be issued in amounts and on terms such
7.31 that the average annual amount of principal and interest due in all subsequent calendar years
7.32 on the obligations, including any similar obligations of the municipality which are

8.1 outstanding, shall not exceed 90 percent of the amount of the last annual allotment preceding
8.2 the bond issue received by the municipality from the construction account in the municipal
8.3 state-aid street fund. All interest on the obligations shall be paid out of the municipality's
8.4 normal maintenance account in the municipal state-aid street fund. Any such obligations
8.5 may be made general obligations, but if moneys of the municipality other than moneys
8.6 received from the municipal state-aid street fund, are used for payment of the obligations,
8.7 the moneys so used shall be restored to the appropriate fund from the moneys next received
8.8 by the municipality from the construction or maintenance account in the municipal state-aid
8.9 street fund which are not required to be paid into a sinking fund for obligations.

8.10 Sec. 12. **EFFECTIVE DATE; APPLICATION.**

8.11 If the constitutional amendment in article 1 is ratified, this article is effective January
8.12 1, 2022, and applies for municipal state-aid street funds distributed on or after that date.