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State of Minnesota

HOUSE OF REPRESENTATIVES

NINETIETH SESSION

H. F. No. **3980**

03/19/2018 Authored by Dean, M., and Runbeck  
The bill was read for the first time and referred to the Committee on Transportation and Regional Governance Policy  
03/28/2018 Adoption of Report: Amended and re-referred to the Committee on Transportation Finance

1.1 A bill for an act  
1.2 relating to transportation; establishing a freight rail economic development program;  
1.3 modifying rail-related accounts; making technical changes; amending Minnesota  
1.4 Statutes 2016, sections 222.50, subdivision 7; 222.57; 222.63, subdivision 8;  
1.5 Minnesota Statutes 2017 Supplement, section 222.49; proposing coding for new  
1.6 law in Minnesota Statutes, chapter 222.

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

1.8 Section 1. Minnesota Statutes 2017 Supplement, section 222.49, is amended to read:

1.9 **222.49 RAIL SERVICE IMPROVEMENT ACCOUNT; ~~APPROPRIATION~~**  
1.10 **TRANSFERS.**

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

1.18 (b) Annually by June 30, the commissioner of transportation must transfer the entire  
1.19 unencumbered balance in the rail service improvement account to the freight rail account  
1.20 in the special revenue fund.

1.21 **EFFECTIVE DATE.** This section is effective June 30, 2018.

2.1 Sec. 2. Minnesota Statutes 2016, section 222.50, subdivision 7, is amended to read:

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

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

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

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

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

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

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

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

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

2.22 ~~(9)~~ (8) to fund rail planning studies; and

2.23 ~~(10)~~ (9) to pay a portion of the costs of capital improvement projects designed to improve  
2.24 capacity or safety at rail yards.

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

2.28 **EFFECTIVE DATE.** This section is effective June 30, 2018.

2.29 Sec. 3. **[222.505] FREIGHT RAIL ECONOMIC DEVELOPMENT PROGRAM.**

2.30 **Subdivision 1. Definition.** For purposes of this section, "program" means the freight  
2.31 rail economic development program established in this section.

3.1 Subd. 2. **Program established.** The commissioners of transportation and employment  
3.2 and economic development must jointly establish a freight rail economic development  
3.3 program as provided in this section.

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

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

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

3.16 Subd. 4. **Program administration.** (a) The commissioners of transportation and  
3.17 employment and economic development must establish a project selection process for  
3.18 financial assistance under the program. The process must include public notice of available  
3.19 funds, procedures to submit applications, publicly available information on project evaluation  
3.20 and selection as provided in this section, and financial assistance awards.

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

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

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

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

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

3.33 (2) rail users; and

4.1 (3) political subdivisions.

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

4.3 Subd. 6. **Project eligibility.** (a) To be eligible under the program, a project must:

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

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

4.6 and

4.7 (3) be consistent with transportation plans adopted by the commissioner, including the  
4.8 statewide freight and passenger rail plan under section 174.03, subdivision 1b.

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

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

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

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

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

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

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

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

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

4.27 (2) address rail lines that have deteriorated or are in danger of deteriorating to such a  
4.28 degree that the rail line is unable to carry the speeds and weights necessary to efficiently  
4.29 transport goods and products; and

4.30 (3) include a commitment of funding or in-kind assistance for the project from nonpublic  
4.31 sources that exceeds 25 percent of the total project cost estimate.

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

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

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

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

5.16 **EFFECTIVE DATE.** This section is effective June 30, 2018.

5.17 Sec. 4. Minnesota Statutes 2016, section 222.57, is amended to read:

5.18 **222.57 RAIL USER AND RAIL CARRIER LOAN GUARANTEE ACCOUNT.**

5.19 There is created a rail user and rail carrier loan guarantee account as a separate account  
5.20 in the rail service improvement account, which shall be used by the commissioner for  
5.21 carrying out the provisions of sections 222.55 to 222.62 with respect to loans insured under  
5.22 section 222.58. The commissioner may transfer to the rail user and rail carrier loan guarantee  
5.23 account from money otherwise available in the freight rail ~~service improvement~~ account  
5.24 whatever amount is necessary to implement the rail user and rail carrier loan guarantee  
5.25 program, except that bond proceeds may not be transferred to the account for insurance of  
5.26 loans made for the purposes specified in section 222.58, subdivision 2, paragraph (b), clauses  
5.27 (3) to (5). The commissioner may withdraw any amount from the rail user and rail carrier  
5.28 loan guarantee account that is not required to insure outstanding loans as provided in section  
5.29 222.60, subdivision 1.

5.30 **EFFECTIVE DATE.** This section is effective June 30, 2018.

6.1 Sec. 5. Minnesota Statutes 2016, section 222.63, subdivision 8, is amended to read:

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

6.13 (b) All proceeds of the sale of abandoned rail lines ~~shall~~ must be deposited in the freight  
6.14 rail service improvement account.

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

6.19 **EFFECTIVE DATE.** This section is effective June 30, 2018.