January 15, 2020

Dear Members of the Minnesota Legislature:

As required by Minn. Stat., Sec. 16A.501(b), I am pleased to present our annual report on state agency use of general obligation bond proceeds to pay for internal staff costs directly attributable to bond funded capital programs or projects.

Please contact me if you have any questions about this report, or you may contact Jennifer Hassemer, Assistant Commissioner for Debt Management at MMB, whose contact information is given at the end of the report.

Sincerely,

Myron Frans
Commissioner

Enclosures

cc: Legislative Reference Library
Agencies’ Use of Capital Appropriations for Staff Costs Attributable to Capital Programs or Projects

Report to the Legislature

January 15, 2020

As required by Minn. Stat., Sec. 16A.501(b)
ESTIMATED COSTS OF PREPARING THIS REPORT

The cost information reported below is the estimated cost of preparing this report document. Special funding was not appropriated for the costs of preparing this report.

In accordance with Minn. Stat., Sec. 3.197, the estimated cost incurred by Minnesota Management and Budget in preparing this report is less than $1,000.
BACKGROUND

On October 20, 2009, MMB issued its “Policy Regarding Use of General Obligation Bond Proceeds to Fund Staff Costs.” This policy became effective for bonding appropriations authorized in the 2010 legislative session and for earlier bonding appropriations that contained specific statutory authority to use G.O. bond proceeds to pay costs of staff directly involved in delivering a capital project or program.

MMB’s goal in implementing the policy was to establish uniform procedures for agencies to charge capitalizable staff costs to bonding appropriations and to establish MMB oversight of the process. The policy requires each agency desiring to charge staff costs to bonding appropriations to submit a plan to MMB for its approval. The plan must indicate how the agency intends to track staff costs charged to each bonding appropriation, which tracking must be by employee, by project or program and by hour spent. Each agency must report staff costs charged to bonding appropriations to its Executive Budget Officer and to the Capital Bonding Coordinator on a quarterly basis and certify that such time is properly capitalizable as a cost of the project or program in accordance with applicable accounting principles.

The following bonding bills all specifically authorized agencies to use capital appropriations to pay staff costs directly attributable to the capital program or project in accordance with accounting policies adopted by the Commissioner of MMB:

- Laws 2010, Chapter 189;
- Laws 2011, First Special Session, Chapter 12;
- Laws 2012, Chapter 293;
- Laws 2012, First Special Session, Chapter 1;
- Laws 2013, Chapter 117;
- Laws 2013, Chapter 136;
- Laws 2014, Chapter 294;
- Laws 2015, First Special Session, Chapter 5;
- Laws 2017, First Special Session, Chapter 3;
- Laws 2017, First Special Session, Chapter 8;
- Laws 2018, Chapter 214; and

The 2010 bonding bill (Laws 2010, ch. 189) imposed a reporting requirement for MMB as discussed below.

THE REPORTING REQUIREMENT

Section 28 of the 2010 bonding bill (codified as Minn. Stat., Sec. 16A.501(b)) requires MMB to report to the Legislature by January 15 of each year as to the amount and percentage of
each agency’s capital appropriation that is used to pay for the costs of staff directly attributable to capital programs or projects funded with state general obligation bond proceeds. The report must also address agency compliance with policies of the Commissioner of MMB as to use of general obligation bond proceeds to pay staff costs and any changes to the Commissioner’s policies.

**AGENCY REPORTING AND COMPLIANCE**

The following 13 agencies have submitted plans to MMB since 2010 to charge staff costs to one or more bonding appropriations and such plans were approved by MMB: Administration, Board of Water and Soil Resources, Department of Natural Resources, Minnesota Historical Society, Metropolitan Council, Pollution Control Agency, Department of Transportation, University of Minnesota, Minnesota State Colleges and Universities, the Minnesota Zoo, Department of Human Services, Department of Education and the Department of Employment and Economic Development.

For the current reporting period, the following seven agencies have submitted one or more quarterly reports of staff costs charged to bonding appropriations in compliance with MMB’s policy: Administration, Department of Natural Resources, Minnesota Historical Society, Department of Transportation, University of Minnesota, Minnesota State Colleges and Universities, and Board of Water and Soil Resources. The data that appears on the spreadsheet attached as **Exhibit A** to this report includes amounts spent on staff costs for the current reporting period.

Several agencies that have received capital appropriations since 2010 have indicated that they do not intend to charge staff costs to bonding appropriations, including: Military Affairs, Amateur Sports and Public Facilities Authority. Further, the Department of Administration administers the capital appropriations for construction projects for state-owned assets for several other agencies and thus those agencies do not charge any of their internal staff costs to bonding appropriations, including: Department of Corrections, Department of Public Safety, Minnesota State Academies, Perpich Center for Arts Education, and Veterans Affairs.

With respect to MMB’s assessment of the degree of agency compliance with the Commissioner of MMB’s policy regarding staff costs, we believe that state agencies are attentive to and seek to comply with the policy’s requirements.

Minn. Stat., Sec. 16A.501(b) requires MMB to discuss any changes to its policies regarding the charging of staff costs to bonding appropriations. MMB has not changed the policy adopted on October 20, 2009 and discussed above. However, MMB did attach an addendum to the policy in 2014 that provides additional clarification to agencies on what is a capitalizable staff cost.
RELATED POLICY

MMB Policy Regarding Use of General Obligation Bond Proceeds to Fund Staff Costs, October 20, 2009 (https://mn.gov/mmb/debt-management/capital-projects/staff-costs/)

Agency Contact:

Jennifer Hassemer
Assistant Commissioner – Debt Management
Minnesota Management and Budget
658 Cedar Street
400 Centennial Office Building
St. Paul, MN  55155
(651) 201-8079
jennifer.hassemer@state.mn.us
<table>
<thead>
<tr>
<th>Appropriation Name</th>
<th>Fiscal Year</th>
<th>Original Appropriation</th>
<th>Previously Spent for Staff Costs</th>
<th>FY2019</th>
<th>FY2020</th>
<th>Total</th>
<th>Cumulative</th>
<th>% of Appropriation</th>
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<td>-</td>
<td>-</td>
<td>-</td>
</tr>
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<td>-</td>
<td>-</td>
<td>-</td>
<td>0.0%</td>
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<td>-</td>
</tr>
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<td>-</td>
<td>33,547.68</td>
<td>-</td>
<td>-</td>
<td>0.0%</td>
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<td>-</td>
<td>-</td>
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<tr>
<td>151 007 01 004</td>
<td>2017</td>
<td>HISTORIC SITES ASSET PRESERV</td>
<td>8,000,000</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>0.0%</td>
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<tr>
<td>151 007 01 006</td>
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<td>TRUNK HIGHWAY PROJECTS</td>
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<td>4,573.49</td>
<td>3,651.15</td>
<td>3,732.77</td>
<td>3,732.77</td>
</tr>
</tbody>
</table>

**Natural Resources**

1. **VERMILLION STATE PARK**
   - 2014: 14,000,000
   - Project complete: 386,936.41

2. **SHOOTING STAR TRAIL**
   - 2017: 2,165,000
   - Project complete: 1,267.30

3. **MILETOWN TRAIL**
   - 2017: 476,300
   - Project complete: 114.62

**Transportation**

1. **CHIS52 STATE ROAD CONSTRUCTION**
   - 2008: 1,717,694.00
   - 2018: 203,153.25
   - Project complete: 187,195.77

2. **CORRIDORS OF COMMERCE**
   - 2018: 500,000
   - Project complete: 92,086.54

**Historical Society**

1. **OLIVER KELLEY FARM HIST SITE**
   - 2018: 10,562,000
   - Project complete: 144,313.24

2. **HISTORIC SITES ASSET PRESERV**
   - 2018: 1,440,000
   - Project complete: 33,547.68

3. **HISTORIC SITES ASSET PRESERV**
   - 2017: 500,000
   - Project complete: 56,764.38

4. **HISTORIC SITES ASSET PRESERV**
   - 2017: 1,250,000
   - Project complete: 1,054.76

5. **HISTORIC SITES ASSET PRESERV**
   - 2017: 4,000,000
   - Project complete: 10,066.09

6. **HISTORIC SITES ASSET PRESERV**
   - 2017: 8,000,000
   - Project complete: 114.62
<table>
<thead>
<tr>
<th>Agency</th>
<th>Legal Citation</th>
<th>Fiscal Year</th>
<th>Appropriation Name</th>
<th>Amount of Original Appropriation</th>
<th>Amount Previously Spent for Staff Costs</th>
<th>2Q FY19 (ended 12/31/2018)</th>
<th>3Q FY19 (ended 9/30/19)</th>
<th>4Q FY19 (ended 6/30/19)</th>
<th>Total Spent in this Reporting Period</th>
<th>Cumulative Total Spent</th>
<th>% of Appropriation</th>
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<td>-</td>
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<td>164,109.70</td>
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<td>2,263.61</td>
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<td>-</td>
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<td>1,272.67</td>
<td>164,109.70</td>
<td>0%</td>
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<td>2,102.36</td>
<td>-</td>
<td>423.02</td>
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<td>-</td>
<td>4,844.08</td>
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<td>-</td>
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<td>(6.67)</td>
<td>21,643.33</td>
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1. Appropriation Name

2. Fiscal Year

3. Amount of Original Appropriation

4. Amount Previously Spent for Staff Costs

5. 2Q FY19 (ended 12/31/2018)

6. 3Q FY19 (ended 9/30/19)

7. 4Q FY19 (ended 6/30/19)

8. Total Spent in this Reporting Period

9. Cumulative Total Spent

10. % of Appropriation

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**ANNUAL REPORT TO LEGISLATURE (M.S. §16A.501(b)) - January 15, 2020**

**AMOUNT OF CAPITAL APPROPRIATIONS USED TO PAY AGENCY STAFF COSTS**

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**MN State Colleges and Universities**

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**University of Minnesota**

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2 of 3
### ANNUAL REPORT TO LEGISLATURE (M.S. §16A.501(b)) - January 15, 2020

AMOUNT OF CAPITAL APPROPRIATIONS USED TO PAY AGENCY STAFF COSTS

<table>
<thead>
<tr>
<th>Agency</th>
<th>Legal Citation (yr-ch-art-sec-subd)</th>
<th>Fiscal Year</th>
<th>Appropriation Name</th>
<th>Amount of Original Appropriation</th>
<th>Amount Previously Spent for Staff Costs</th>
<th>2Q FY19 (ended 12/31/2018)</th>
<th>3Q FY19 (ended 3/31/2019)</th>
<th>4Q FY19 (ended 6/30/19)</th>
<th>1Q FY20 (ended 9/30/19)</th>
<th>Total Spent in this Reporting Period</th>
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</table>

1. "Amount Previously Spent" differs from the amount last reported on the 2019 Staff Costs Report based on agency adjustments.
2. Negative quarterly amount reflects agency adjustments to previously reported amounts.
3. Staff Costs reported in connection with this appropriation were for the following projects: St. Croix Crossing, Winona Bridge, and Red Wing. Detailed reports are on file both at MMB and MnDOT.