



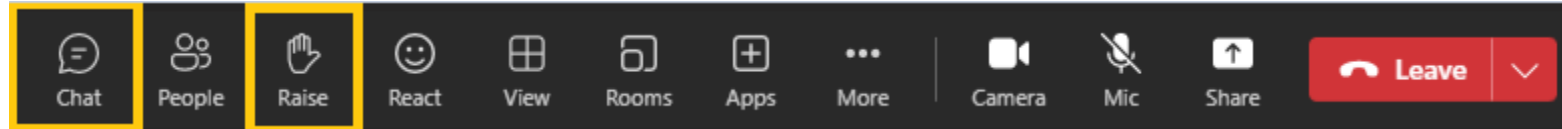
2024 Capital Budget Q&A Session for State Agencies

May 30, 2023

Agenda

Time	Speaker
1:00 – 1:10 pm	Marianne Conboy, MMB: Process overview and timeline
1:10 – 1:13 pm	Jen Hassemer, MMB: Restrictions on spending GO bond proceeds
1:13 – 1:23 pm	Roger Behrens, MMB: Additional requirements and FAQs
1:23 – 1:26 pm	Eric Radel, Real Estate & Construction Services, Department of Administration: Predesign
1:26 – 1:29 pm	Patrick Smith, University of Minnesota: SB 2030 and B3 Programs
1:29 – 1:32 pm	Tyler Bishop, Minnesota Department of Human Rights: Equity in Bonding Certificates of Compliance and Equal Pay Certification
1:29 – 2:00 pm	Questions and answers for questions submitted in the chat

How to Submit a Question



- Throughout the presentation, you may type your question into the **chat**
- **After the presentation**, questions will be answered
 - If you have a follow up question, use the “**raise hand**” feature and you will be taken off mute to discuss with presenters
- If we don't get to your question, we will follow up with you individually after today's session

Instructions and Training



Capital Budget Instructions: <https://mn.gov/mmb/budget/budget-instructions/capbud/>

- Memo
- Instructions
- Capital Request Form
- Templates, FAQs, and more



Capital Budget System (CBS): <https://mn.gov/mmb/budget/statewide-budget-systems/cbs/>

- System access
- User Guide
- Training Videos

New: Capital Request Form



2024 Capital Budget

Project Information for Agency Capital Requests

When copying text from this form or another document into the Capital Budget System, be sure to paste as plain text to clean the text from source formatting, and then reformat in CBS as needed.

Agency Requesting Project

Project Name Rank

Facility/Campus

Is this request for a Statewide Project? Yes ☐ No ☐ If yes, it's a statewide project, then enter "Statewide" as the city and county and no mid-point of construction or inflation costs.

City County Zip Code

Contact Information

Name

Title

Phone Number

What is the Capital Budget Process?

The Capital Budget

- Developed in the odd-numbered calendar year for submission to the Legislature in January of the even-numbered calendar year
- Funded primarily by issuing state General Obligation (GO) bonds
- GO bonds may only be used for qualified capital expenditures



Capital Budget System (CBS)

- Capital budget requests are submitted through the web-based Capital Budget System (CBS), which collects project narrative information, funding sources, project costs, statutory requirements, and uploaded documents
- The CBS website provides additional information about system access and system training materials, including the User Guide and new training videos
 - <https://mn.gov/mmb/budget/statewide-budget-systems/cbs/>

2024 Timeline for State Agencies

Year	Timeframe	Action
2023	March - May	MMB authorizes CBS users
	June 16	Deadline for all state agency preliminary requests to be submitted in CBS (Project Overview and Funding Sources screens)
	June - Oct	MMB staff review requests and conduct site visits as needed
	July 17	MMB publishes and submits all state agency requests to the Legislature
	September 15	Deadline for Agency Profile, Strategic Planning Summary, and Asset Preservation List (if applicable) to be submitted in SharePoint
	October 13	Deadline for all state agency final requests to be submitted in CBS
2024	January 16	Governor Walz submits his 2024 capital budget recommendations to the Legislature and MMB publishes all state agency requests
	May	Legislature adjourns

What Information Will Be Published By MMB?

- Detailed project information submitted in CBS will be published in three reports:
 1. Projects Summary
 2. Project Narrative
 3. Project Detail
- Previously published requests can be found on the MMB Previous Capital Budgets webpage:
 - <https://mn.gov/mmb/budget/capital-budget/library/>

MMB's Evaluation of Capital Projects

- Is the project eligible for general obligation bond funding?
- Has all required information been entered in CBS, including statutory requirements?
- Do Funding Sources equal Project Costs (projects cannot be submitted if totals do not match; sources must be sufficient to cover project costs)
- What problem does the project address?
- Does the project serve a statewide or regionally-significant purpose?
- Can the project be completed in phases?
- Will the project require additional state subsidies to operate?

Funding Sources

- The proposed funding source must be appropriate for the scope of work
 - General Obligation Bonds – the most frequently requested funding source, requires public ownership
- Some alternative financing mechanisms that might be considered include:
 - State Trunk Highway Bonds – construction, improvement and maintenance of the trunk highway system
 - State Appropriation Bonds – more flexible tool than general obligation bonds (such as public ownership)
 - General Fund Cash – certain capital grants or related expenditures that are not eligible for bonding

Inflation Schedule

- **Project costs must be entered in July 2023 dollars to use MMB's inflation schedule to add inflation costs.**
- If a project from 2022 is copied over into 2024, you can escalate project costs by:
 - Identifying the 2022 project costs before inflation is included, which are in July 2021 dollars
 - Adding 17% to those project costs, which brings amounts to July 2023 dollars
- **Agencies should enter an updated mid-point of construction date in the Project Overview screen of CBS to add system-generated inflation unless the request is a statewide grant program or an asset preservation program.** Updated construction inflation factor estimates are presented in Appendix 2 of the 2024 State Agency Capital Budget Instructions, based on various mid-point of construction dates

Administration Priorities

Governor Walz's capital budget will continue to focus resources on the most critical projects and strategic investments across the state, particularly projects that:

- Address life and safety issues
- Preserve existing infrastructure and repair existing facilities before starting new projects
- Reflect state agencies' strategic capital investment plans
- Reflect state agencies' strategic plans
- Minimize construction tails and operating costs
- Are proposed following community engagement
- Aid in making Minnesota the best state in the country for kids to grow up
- Reflect the priorities and goals found in the One Minnesota Plan
- Address and undo historical and systemic disparities and inequities, including those based on race, gender, veterans' status, geography, and economic status

Are There Restrictions on Spending GO Bond Proceeds?

Projects Eligible For State GO Bond Financing

- Article XI, Section 5, of the Minnesota Constitution contains the authority for incurring public debt (GO bonds)
 - Subdivision (a) authorizes debt “to acquire and to better public lands and buildings and other public improvements of a capital nature, and to provide money to be appropriated or loaned to any agency or political subdivision of the state for such purposes.”
- In other words...
 - The project must be for a ***public purpose***
 - The project must be ***publicly owned***
 - The purpose of the bonds ***must be clearly set forth*** in the law
 - Project activities must constitute ***capital expenditures***

Restrictions on Use of GO Bond Financed Property

- Private use is **any** direct or indirect use by a nongovernmental person or entity
- Certain IRS safe harbors may apply
- Involve MMB at earliest opportunity
- Bond-financed facilities used for private business threatens the tax-exempt status of the state's bonds

Examples of Private Use *

- Rented skyboxes in sports facilities
- Concessions
- Naming rights, broadcast rights, advertising, sponsorships
- Leased space
- Office buildings
- Convention center/arenas
- Airport terminals
- Parking garages
- Academic institutions
- Stadiums
- Business incubators
- Cell phone towers, solar panels, electric vehicle charging stations

**This is not an exhaustive list*

Allowable Capital Expenditures

- Capital expenditures test:
 - Long-lived: ≥ 10 years
 - Fixed asset: land, building, capital equipment or other improvement to land
- Purchase of land, buildings, easements
- Predesign and design
- Construction (including environmental testing and site preparation)
- Major renovation, roof reconstruction and replacement, major window replacement (if add to value or life of building)
- Fixtures, furnishings and equipment, only if installed:
 - Upon initial construction, or
 - During major renovation to make the facility usable for the first time

Ineligible Capital Expenditures

Examples include:

- Fixtures, furnishings and equipment independent from any construction project
- General studies to evaluate the need for a capital project
- Computer and financial modeling for a project not yet sited
- Master planning
- Demolition without any associated redevelopment
- All relocation and moving costs
- Betterments to leaseholds with less than a 10-year term
- Software and data management systems
- Personal computers

**This is not an exhaustive list*

Asset Preservation

- Several statutes govern asset preservation:
 - State Agency Asset Preservation: §16B.307, DNR: §84.946, HEAPR: §135A.046
 - CAPRA: §16A.632 (for unanticipated emergencies)
- Projects must meet all constitutional requirements for bond funded projects
 - NOT for minor repairs or replacements that should be paid for from operating budget
 - Is the project (1) a permanent improvement to land or buildings, and (2) extends the useful life or substantially improves the value of the asset, and (3) not predictable or recurring
- Agencies follow the statutory priorities for expenditure
- Projects will also be subject to §16A.695, State Bond Financed Property

Use Contracts

- Definition: a lease, management or other contract between the public owner of BFP and another party operating or using it
- Governed by M.S. §16A.695, Commissioner's Order and [Use Contracts Checklist](#)
- MMB approval required
- Must carry out a government program
- The term of the use agreement must be substantially less than the property's useful life (\leq 50% is rule of thumb)
- Rent received must be not greater than what is needed to cover operating costs and debt expenses for non-State General Obligation Bonds for the project. A portion of any rent received over what is needed to cover operating costs and non-State General Obligation Bonds debt expenses goes to pay off state GO bonds

Public Ownership and Ground Leases/Easements

- A public entity (i.e. a state agency or political subdivision) must own the property
- No grants may be made directly to private entities, including nonprofits, tribal governments or the federal government
- If not publicly owned outright, “ownership” must be via a lease or easement for a term of at least 125% of the property’s useful life ([Checklist for Ground Leases or Easements](#))

Full Funding Requirement

- **All** financing must be in place to complete the project before the grant will be made available (M.S. §16A.502)
 - Applies to grants from an agency program
- Clarify what the “project” is; e.g., if just predesign, funding for construction is not needed
- *Capital Grants Manual* lists acceptable documentation for different funding sources
 - <https://mn.gov/mmb/debt-management/capital-projects/capital-grants-manual/>

Statutory Requirements

Statutory Requirements for State-Funded Projects

- **M.S. 16B.323: Solar Energy in State Buildings.** Up to 5% of appropriation to be used on Solar energy system- any new building that receiving bond funds, includes additions and major interior configuration or energy system.
- **M.S. 16B.325: Apply Sustainable Guidelines** (B3-MSBG) for new buildings & major renovations (<http://www.b3mn.org/guidelines/index.html>)
 - **M.S. 216B.241** Sustainable Building SB 2030 requirements
 - Contact/support: <http://www.b3mn.org/guidelines/index.html>
- **M.S. 16B.326: Heating and Cooling Systems.** Written plan w/predesign to consider providing Geothermal & Solar Energy Heating & Cooling Systems on new or replacement HVAC systems
- **M.S. 16B.335, subd. 1: Notification to Legislature.** Notification to select House & Senate members prior to final plans. Legislative response is needed prior to preparing final construction documents.

Statutory Requirements for State-Funded Projects *(continued)*

- **M.S. 16B.335, subd. 3: Predesign submittal.** Predesign packages must be submitted to the Dept. of Administration for approval. Statute exempts certain projects from this requirement.
- **M.S. 16B.335, subd. 4: Energy Conservation Standards.** Projects must comply with standards in M.S. 216C.19 to 216C.20 and <http://www.doli.state.mn.us/CCLD/Codes.asp>
- **M.S. 16B.335, subd. 3c: MINNCORR.** Consider the use of MINNCOR products in specifications.
- **M.S. 177.42-44: Prevailing Wage.** Contractor must pay prevailing wages and hours of labor.
- **M.S. 16A.695: State Bond Financed Property Requirements.** Various requirements related to leases and management contracts, sale of property, program funding, match requirements, ground leases, and grant agreements.

Statutory Requirements for State-Funded Projects *(continued)*

- **M.S. 16C.285: Responsible Contractor.** Minimum requirements for contractors in order to receive contracts for projects.
- **M.S. 16A.502: Nonstate Commitments.** If an appropriation is less than the total project cost, a sufficient contribution/match from nonstate sources is required.
- **M.S. 16A.86: State Share of Local Projects.** State appropriation cannot exceed half the total project cost. Certain types of jurisdictions and projects are exempt.
- **M.S. 363A.36: Certificates of Compliance for Public Contracts.** Affirmative action plan certificate of compliance required for state agency contracts exceeding \$100,000 and political subdivision contracts exceeding \$250,000 that use state GO bonds.
- **M.S. 363A.44: Equal Pay Certificate.** Equal pay certificate of compliance required for state agency contracts exceeding \$500,000 and political subdivision contracts exceeding \$1,000,000 that use state GO bonds.

Predesign for Capital Budget Projects

Eric Radel, Real Estate & Construction Services

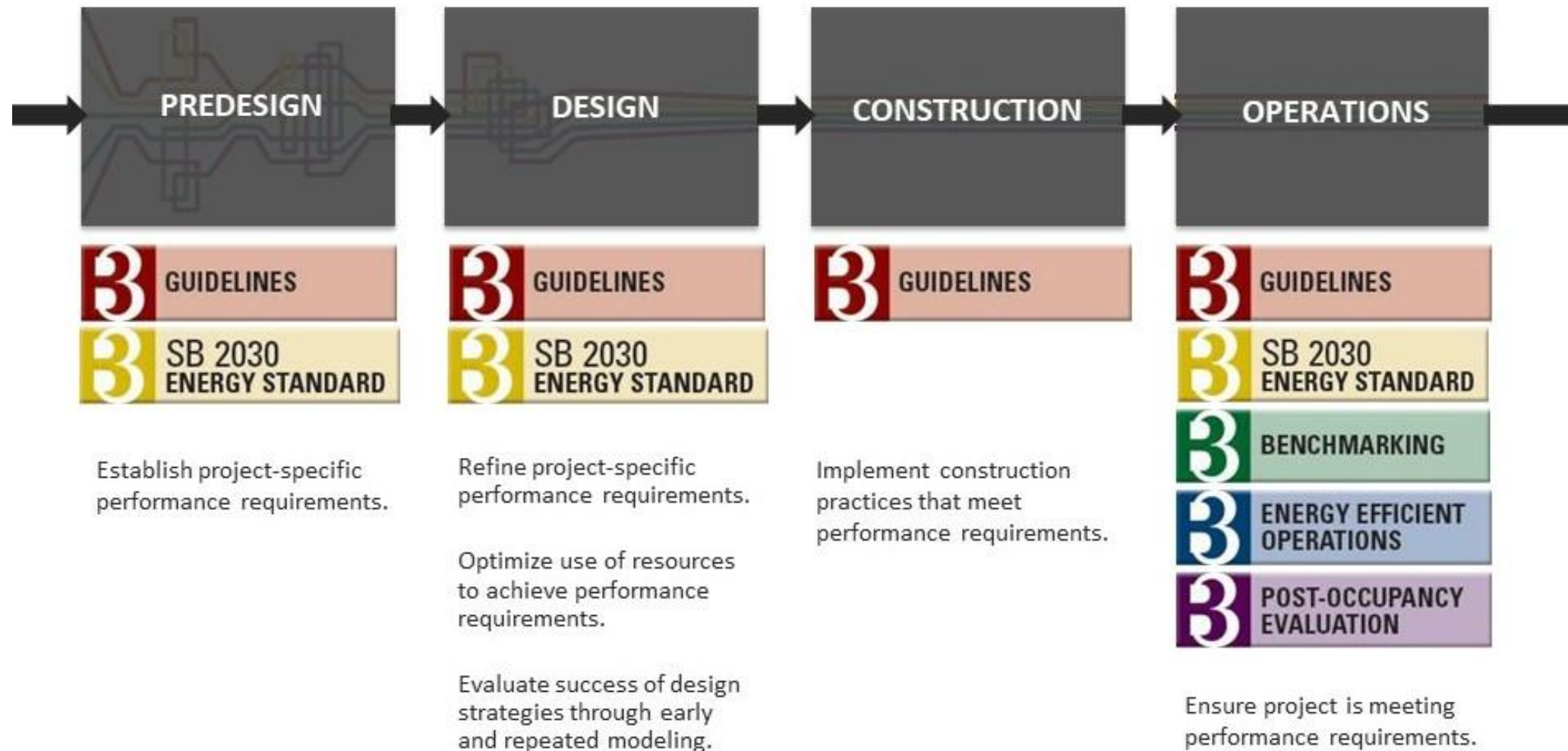
Predesign for Capital Budget Projects

- [M.S. 16B.335](#): State law requiring the preparation and submittal of a predesign for projects receiving funding from the State of Minnesota. Applies to any public entity (state agency, university, state colleges, county, city,) receiving any amount of state funding.
- Predesign is the planning activity and documentation required to sufficiently identify:
 - Cost
 - Scope
 - Schedule of Capital Projects
- [Predesign Manual – 6th Edition](#)
- [Applicability of Statutes](#)

SB 2030 and B3 Programs

Patrick Smith, University of Minnesota

SB 2030 and B3 Programs



B3 Guidelines

The B3 Guidelines is a set of sustainability goals that apply to the design and construction of new buildings or renovations in order to meet sustainability goals for site, water, energy, indoor environment, materials and waste.



Performance Management



Site & Water



Energy & Atmosphere

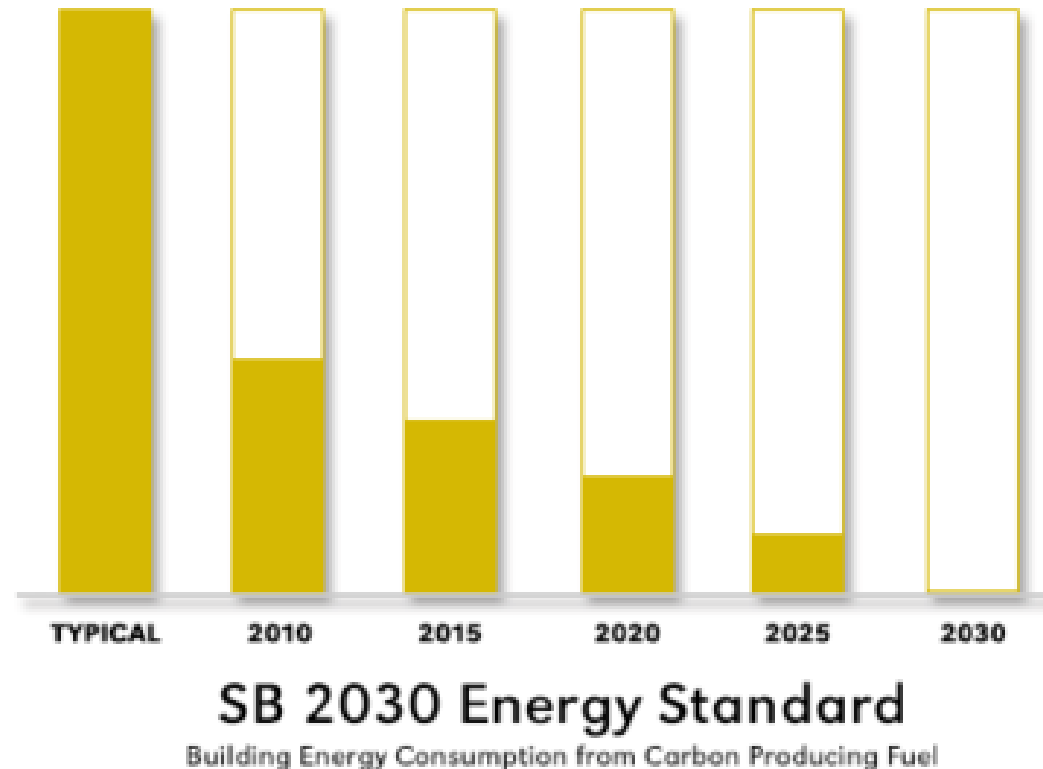


Indoor Environmental Quality



Materials & Waste

SB 2030 is a progressive energy and carbon reduction program, modeled on the Architecture 2030 program; customized to better fit Minnesota's buildings, climate, and policies, and expanded to allow the inclusion of more building types.



Tools – Tracking Tool and SB 2030 Energy Standard Tool

MINNESOTA

3

GUIDELINES TRACKING TOOL

Welcome **Pat Smith**
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HomeProjectsReportsAboutAdministrator

OCCUPANCY

Construction Mode

Occupancy Mode

FILTER

Expand the grid to display:

My Action Items

LEGEND

Action Item

Completed

Variance

Not applicable

Current Phase

Required

Actual Phase

Transition to Operations

123 Fake Street, Minneapolis, MN 55455

GeneralTeamRolesActionsScheduleNotesAdmin

Predesign Phase In Process

You have 1 open action item(s)

Guideline	Responsible Role	Person	Action	PD*	D	FD	CO
Phase Summary Reports:				19%			
PERFORMANCE MANAGEMENT				PD*	D	FD	CO
+ P.0. Performance Management Information				Read the Guideline			
+ P.1. Design and construction process				Read the Guideline			
+ P.2. Operations process				Read the Guideline			
SITE AND WATER				PD*	D	FD	CO
+ S.0. Site and Water Strategies				Read the Guideline			
+ S.1. Site and Water Connections				Read the Guideline			

First, define your new building.

Building Definition

Unlock

Building Type

Warehouse - Active

Total Area

50,000

ft²

Modify Details

Space Asset Areas

Add Area

Scale All to Fit

Summary

Office

Type: Office

Floors: 1

Area: 50,000 ft² (100%)

Arrangement: Adjacent

Edit

For More Information on B3 and SB 2030

B3mn.org

Design of New Buildings and Renovations



Use [B3 Guidelines](#) on new buildings or renovations to meet sustainability goals for site, water, energy, indoor environment, materials and waste.



Use the [SB 2030 Energy Standard](#) to meet energy use goals only. If the B3 Guidelines are used, the SB 2030 Energy Standard is automatically included in the process.

Operation of Existing Buildings



Use [B3 Benchmarking](#) to track and compare energy use on existing buildings. The B3 Guidelines and SB 2030 Energy Standard direct the user to the B3 Benchmarking tool.



Use [B3 Energy Efficient Operations](#) to minimize energy use during building operations. This program can be applied to any existing building.



Use [B3 Post Occupancy Evaluation \(POE\)](#) to determine occupants' perceptions of the buildings' indoor environmental quality. The POE survey is required for B3 buildings.

Equity in Bonding

Tyler Bishop, Minnesota Department of Human Rights

Equity in Bonding

- The Minnesota Department of Human Rights (MDHR), the state's civil rights enforcement agency, currently oversees workforce inclusion and equal pay monitoring for large state contractors.
- Equity in Bonding (EIB) requirements extends these requirements to political subdivisions for GO Bond funded projects.
 - Projects through state agencies, the Met Council, and other metropolitan agencies already must abide by Workforce Certificate and Equal Pay Certificate requirements.
- **M.S. 363A.36: Certificates of Compliance for Public Contracts.** Workforce certificate of compliance required for state agency contracts exceeding \$100,000, or political subdivision contracts exceeding \$250,000 that use state GO bonds to fund all or part of a project.
- **M.S. 363A.44: Equal Pay Certificate.** Equal pay certificate of compliance required for state agency contracts exceeding \$500,000, or political subdivision contracts exceeding \$1,000,000 that use state GO bonds to fund all or part of a project.

Equity in Bonding

- **Workforce Goals:** Minnesota thrives when state investments are used to intentionally undo disparities and inequities. The Minnesota Department of Human Rights sets [Workforce Goals](#) for people of color and Indigenous people and/or women on state funded construction projects.
- **Certificate Holders:** 3,700 businesses across the state either currently have or have previously held Workforce or Equal Pay Certificates.
- More information is available through MDHR's [Office of Equity and Inclusion for Minnesota Businesses](#).

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Capital Budget Resources and Support

- **Capital Budget Instructions:**

<https://mn.gov/mmb/budget/budget-instructions/capbud/>

- **Capital Budget System (CBS) Information and Training Videos:**

<https://mn.gov/mmb/budget/statewide-budget-systems/cbs/>

- **Capital Budget Frequently Asked Questions:**

<https://mn.gov/mmb/budget/capital-budget/faq.jsp>

- For questions about the Capital Budget System (CBS), including system access and system issues, contact MMB Budget Operations at budget.finance.mmb@state.mn.us
- For questions about the capital budget instructions and process, contact Marianne Conboy, Capital Budget Coordinator, at Marianne.Conboy@state.mn.us



Q&A Session