



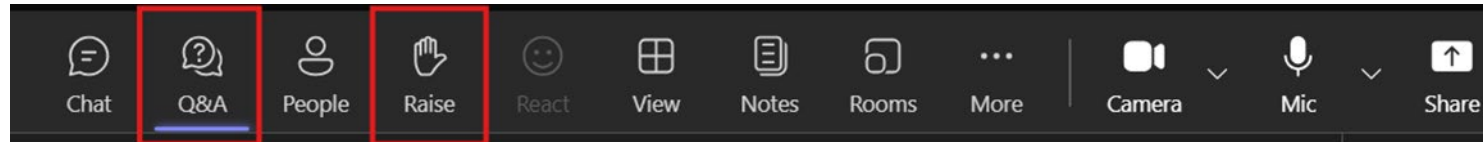
2026 Capital Budget Q&A Session for Local Units of Government and Political Subdivisions

June 3, 2025

Agenda

Time	Speaker
1:00 – 1:10 pm	Amanda Burckhardt, MMB: Process overview and timeline
1:10 – 1:30 pm	Roger Behrens, MMB: Restrictions on spending GO bond proceeds, additional requirements, and FAQs
1:30 – 1:35 pm	Eric Radel & Greg Ewig, Department of Administration: Predesign
1:35 – 1:40 pm	Patrick Smith, University of Minnesota: SB 2030 and B3 Programs
1:40 – 2:30 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 **Q&A**
- **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
- *NEW* Process Steps & Requirements Resources
- Capital Request Form
- Templates, FAQs, and more
- Today's Q&A slides and video will be posted on MMB's website



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

- System access
- User Guide
- Training Videos

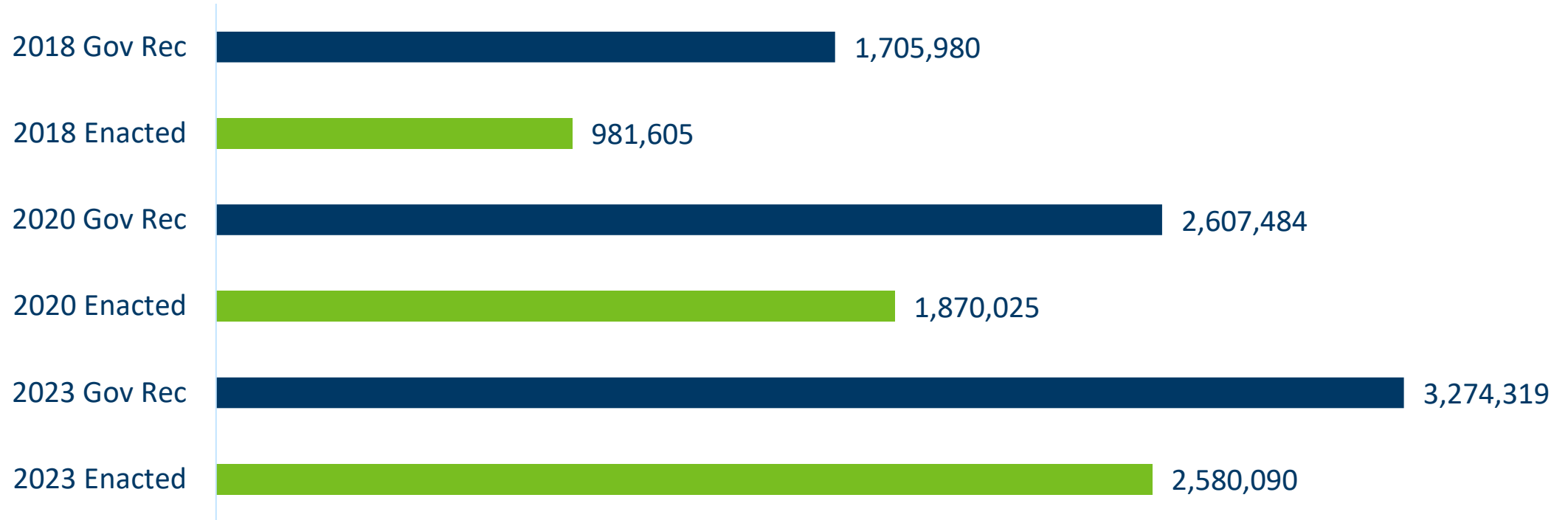
What is the Capital Budget Process?

Capital Budget Process Overview

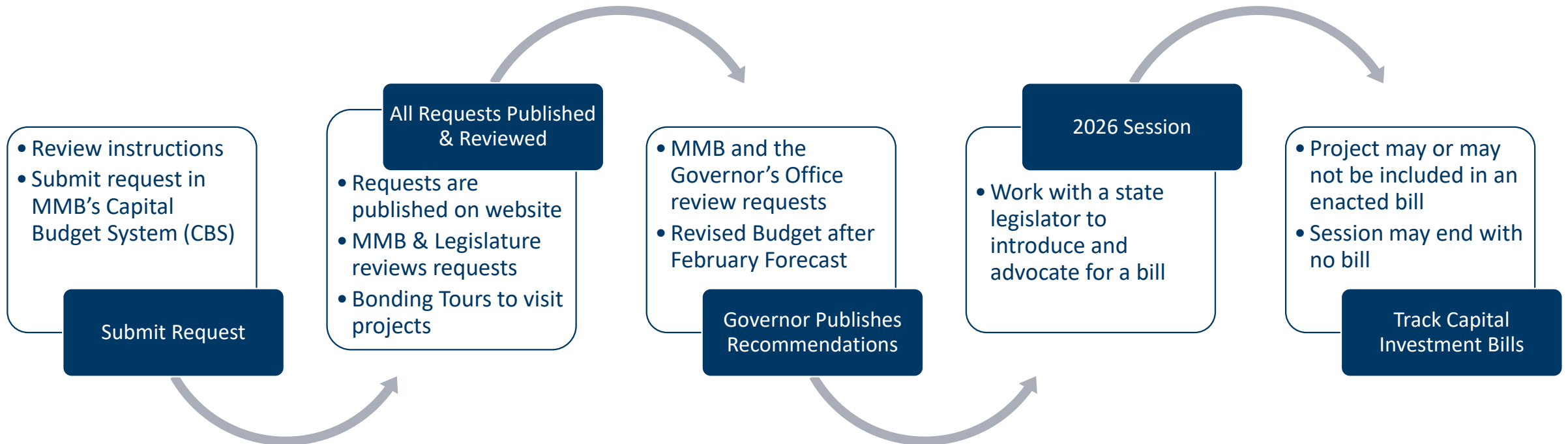
- The capital budget process involves multiple audiences with different roles.
 - MMB's role is to collect and present capital budget information.
- Requests are submitted by local governments and state agencies in odd-numbered calendar years for consideration in the following even-numbered year legislative session.
- Funded primarily by issuing state General Obligation (GO) bonds
- GO bonds may only be used for qualified capital expenditures

Recent Bonding Bills

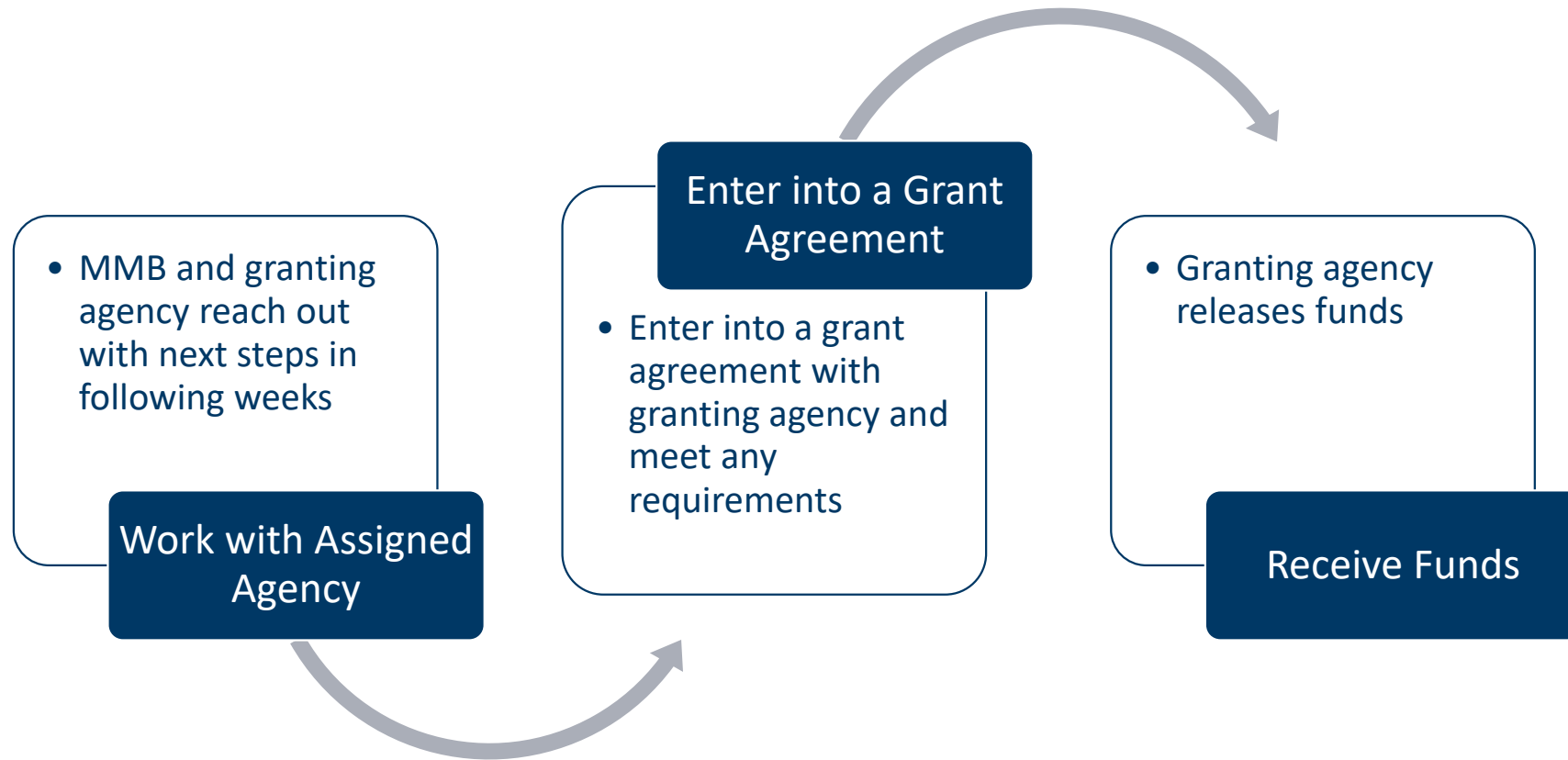
Recent Governor's Recommendations & Enacted Bonding Bills *All funds (amounts in \$000s)*



Big Picture



Big Picture – if included in enacted bill...



Timeline for 2026 Legislative Session Capital Budget Requests

- **End of April 2025:** MMB begins authorizing Capital Budget System (CBS) users
- **Early May 2025:** MMB publishes instructions and CBS opens for requests
- **June 13, 2025:** Deadline for local government requests
- **July 15, 2025:** Requests published and submitted to Legislature
- **October 17, 2025:** Deadline for local government request edits or updates
- **January 15, 2026:** All requests published and submitted to Legislature with the Governor's Recommendations

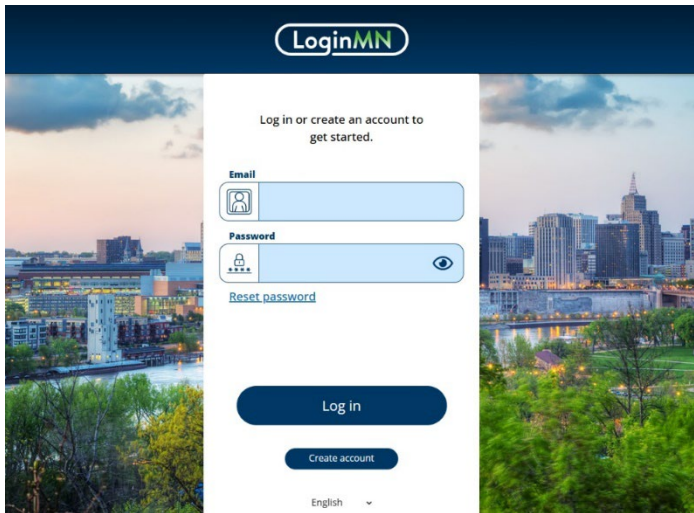
Note: Typically, site visits are conducted in the fall of odd-numbered calendar years, based on the information submitted in CBS by mid-June and published on July 15. Additionally, local governments are encouraged to submit projects by mid-June for publishing on July 15 to ensure full consideration (Minnesota Statutes 16A.86).

How Do I Submit a Request?

1. Visit MMB's Capital Budget Instructions website*
2. Navigate to the page for local governments
3. Review the instructions documents and resources
4. Create a LoginMN account using your local government (work) email
5. Enter your request in the Capital Budget System (CBS)

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

New Login for All Users



Starting in the 2026 Capital Budget process, local government staff will need to create and use a LoginMN account to access the Capital Budget System (CBS).

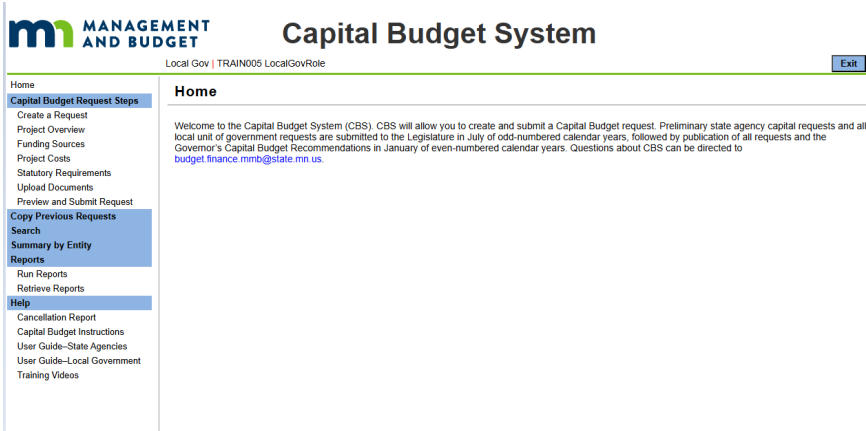
What this means for you:

- All local government staff will need a LoginMN account to enter a request for the 2026 Capital Budget process.
- LoginMN provides modern security features including multi-factor authentication and enhanced fraud detection.
- MMB expects easier, quicker onboarding and fewer access issues with streamlined user authentication.

Reminder:

Use your work email to create your LoginMN account.
It's OK to authenticate with your work or personal cell.

Enter Requests in the Capital Budget System (CBS)



Pro Tip:
Prepare information outside of CBS and input it using 'Copy and Paste as Plain Text' to ensure proper formatting

- **The Capital Budget System (CBS) is a web-based application that collects capital request information.**
- All requests must be entered with adequate information to allow for meaningful consideration of the project by the Governor and the Legislature.
- 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/>

What Information is Collected and Published?

Request information entered in CBS generates reports that are published for each local government:

- Project Summary
- Project Narrative
- Project Detail

Albert Lea, City of

Projects Summary

(\$ in thousands)

Project Title	Rank	Fund	Project Requests for State Funds			Gov's Rec 2024	Gov's Planning Estimates	
			2024	2026	2028		2026	2028
Albert Lea Wastewater Treatment Facility Regulatory Updates	1	GO	40,000	0	0	0	0	0
Blazing Star Landing Redevelopment Project	2	GO	1,800	0	0	0	0	0
Total Project Requests			41,800	0	0	0	0	0
General Obligation Bonds (GO) Total			41,800	0	0	0	0	0

Previous requests like the 2024 Legislative Session example above can be found on MMB's Previous Capital Budgets website:

<https://mn.gov/mmb-stat/documents/budget/capital-budget/final-capital-budget/2024/local-government.pdf>

Reminder:

Enter project sources and costs as a budget, not as cash flow. The 2026 column represents the project or project phase's budget related to the state request.

As in previous years, local governments may either apply their own inflation estimates to project costs or use MMB's inflation calculator to incorporate inflation adjustments.

- Regardless of the approach, inflation must be accounted for to ensure adequate project funding.
- Starting in the 2026 Capital Budget process, MMB's inflation calculator is on the "Project Cost" screen with clear instructions on how to use this optional tool.



MMB's Evaluation of All Capital Projects

- Is the project eligible for general obligation bond funding?
- Has all the required information been entered in CBS, including statutory requirements?
- Do Funding Sources equal 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?

MMB's Evaluation of Local Government Capital Projects

- Does the project have the required 50% nonstate match?
- Could the project be funded through an existing statutory grant program (for example: the MnDOT Local Road Improvement Program, or PFA's Wastewater Infrastructure Funding Program)?
 - *Please contact MMB if you have questions about existing grant programs.*
- Can the project be completed with nonstate funds?
- Will the project require additional state subsidies to operate?
- Does the project serve a public purpose, and will the project be owned and operated by the local government requesting the funds?
- Is there a resolution of support uploaded in CBS from the jurisdiction's governing body that shows (1) the governing body supports the project, (2) ranks projects if more than one, and (3) acknowledges the local resources that are being contributed to the project.

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
 - General Fund Cash – certain capital grants or related expenditures that are not eligible for bonding

Administration Priorities

Governor Walz's capital budget will continue to focus resources on the most critical projects and strategic investments across the state and give local leaders tools they need to succeed, with particular focus on projects that:

- Address life and safety issues
- Preserve existing infrastructure and repair existing facilities before starting new project
- Are proposed following community engagement
- Aid in making Minnesota the best state in the country for kids to grow up
- Address and undo historical and systemic disparities and inequities, including those based on race, gender, veterans' status, geography, and economic status
- Provide at least a 50% local match
- Have a local resolution of support from the governing body
- Integrate climate preparedness and/or clean energy

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 that substantially improves or expands the project; not merely repair or replace.
 - Must either extend the useful life or substantially increase the value.
- 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*

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](#))

What Additional Requirements Apply to Local Projects?

Grant Agreements

- Always required when a state agency funds a grant to a local project
- Not required if appropriation is made to a state agency for its own capital needs
- MMB has prepared generic forms for state agency use:
 - <https://mn.gov/mmb/debt-management/capital-projects/grant-agreements/>
 - Forms are slightly different depending on funding source

Statutory Authority & Program Operation

- Grantee must have independent statutory authority to operate the project (for example, via charter or statute)
- The bonding legislation alone does not normally provide authority to operate the project or program
- Grant recipients must demonstrate to granting agency that they have an ability and plan to fund the program intended for the facility
- Local government must actively oversee the ongoing operation of the project

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
- **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 2)*

- **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.

New Requirements Document



- This document is a new resource listing the expected requirements that would apply to projects enacted in a capital investment bill, subject to any changes directed in the final bill.
- <https://mn.gov/mmb-stat/documents/budget/capital-budget/local-and-agency-capital-budget-requirements.pdf>

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](#)
- [Applicability of Statutes](#)

SB 2030 and B3 Programs

Patrick Smith, University of Minnesota

SB 2030 and B3 Programs



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

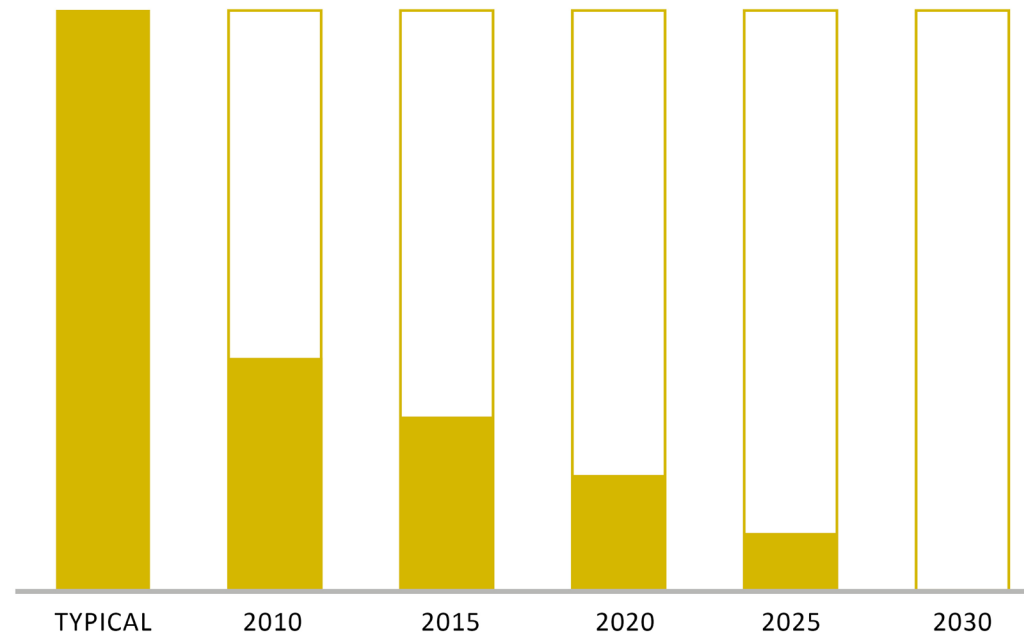


Indoor Environmental Quality



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.



SB 2030 Energy Standard

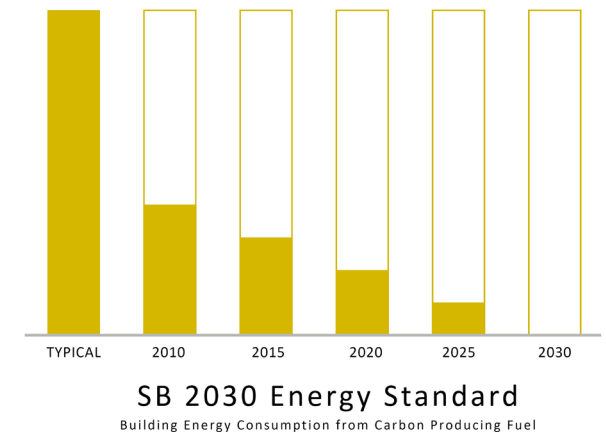
Building Energy Consumption from Carbon Producing Fuel

SB 2030 – 2025 program updates

SB 2030 program updates—which are applicable to projects starting schematic design on or after January 1, 2025. A couple of the key changes include:

- Cost effectiveness—under SB 2030 this cost-effectiveness test is used to permit teams to look off of the project site for resources to enable them to meet their targets. The payback periods used as a cost-effective test now range from 9 years to 24 years (based of the life of the measure) and now should account for federal incentives. **The expected effect of this update is that additional efficiency and renewable energy measures will be included in the establishment of an on-site target and the design of projects.**
- Procurement factors for Renewable Energy Certificates (RECs): If the project is using unbundled RECs used to help projects meet their SB 2030 Standard they will now use a “procurement factor” of 0.2, which means that 5 kWh of unbundled RECs will be needed to offset every 1 kWh of energy use. **The expected effect of this update is an increased use in alternatives to unbundled RECs for off-site renewable energy development.**

A detailed description of the program updates is available here: [SB 2030 in 2025: Program Update](#)



Tools – Tracking Tool and SB 2030 Energy Standard Tool

MINNESOTA

3

GUIDELINES TRACKING TOOL

Welcome **Pat Smith**
My Account | Sign Out

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

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

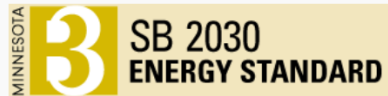
For More Information on B3 and SB 2030

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.

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Capital Budget Support

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- For questions about the capital budget instructions and process, contact Amanda Burckhardt, Capital Outreach and Analysis Specialist, at Amanda.Burckhardt@state.mn.us
- For questions about grant agreements or other legal information, contact Roger Behrens, Capital Bonding Coordinator, at roger.behrens@state.mn.us, or Jennifer Nelson, Capital Bonding Specialist, at Jennifer.nelson1@state.mn.us



Q&A Session