



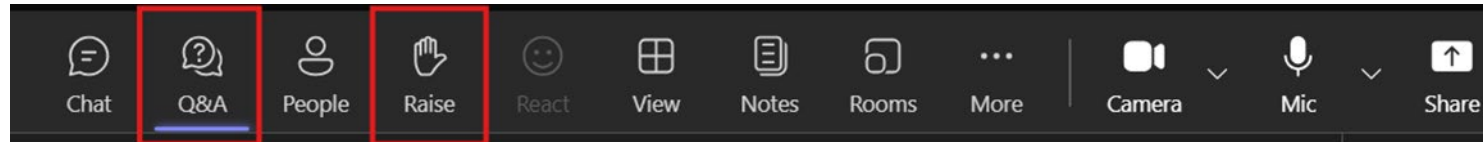
2026 Capital Budget Q&A Session for State Agencies

June 3, 2025

Agenda

Time	Speaker
11:00 – 11:10 am	Amanda Burckhardt, MMB: Process overview and timeline
11:10 – 11:30 am	Roger Behrens, MMB: Restrictions on spending GO bond proceeds, additional requirements, and FAQs
11:30 – 11:35 am	Eric Radel & Greg Ewig, Real Estate & Construction Services, Department of Administration: Predesign
11:35 – 11:40 am	Patrick Smith, University of Minnesota: SB 2030 and B3 Programs
11:40 – 12:30 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

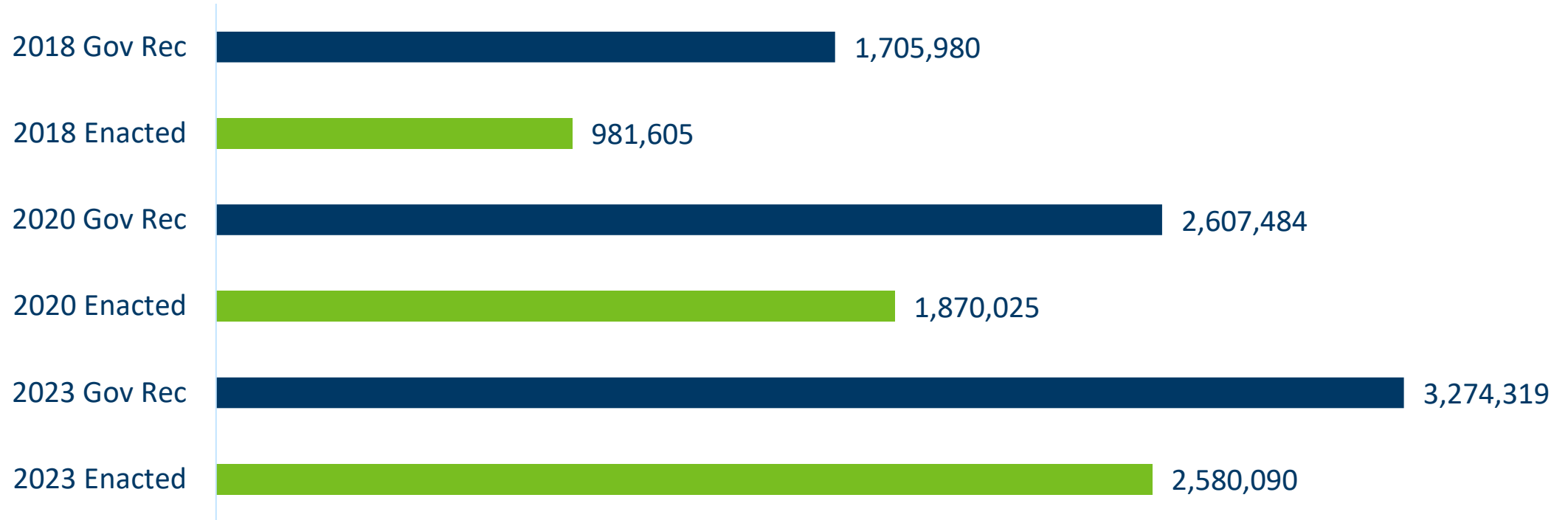
What is the Capital Budget Process?

Capital Budget Process Overview

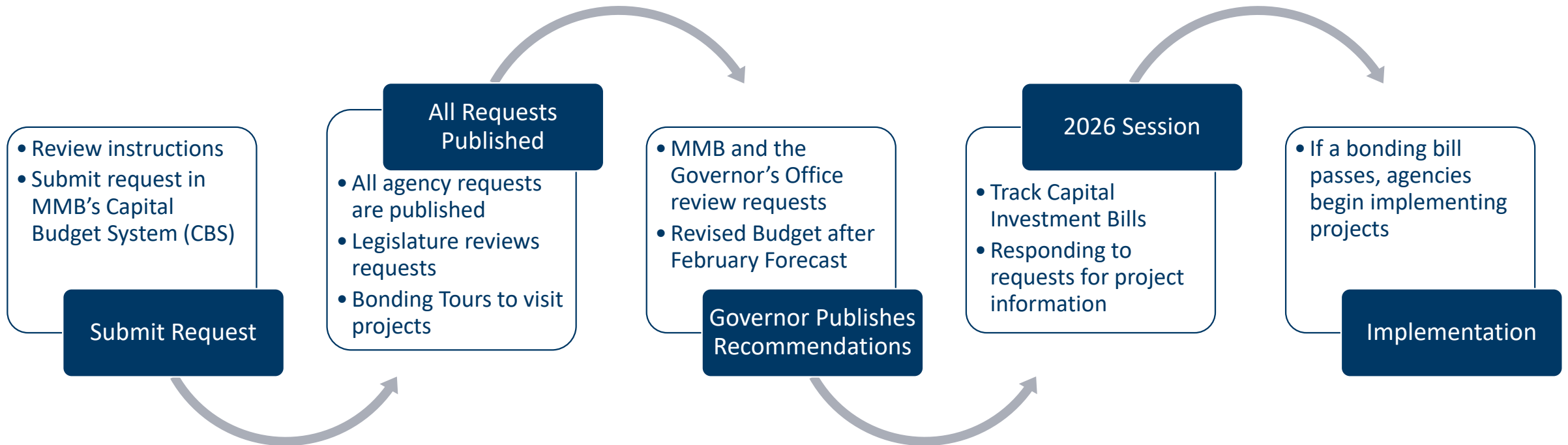
- The capital budget process involves multiple audiences with different roles.
 - MMB's role is to collect and present capital budget information.
- Requests are submitted by local governments and state agencies in odd-numbered calendar years for consideration in the following even-numbered year legislative 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)*



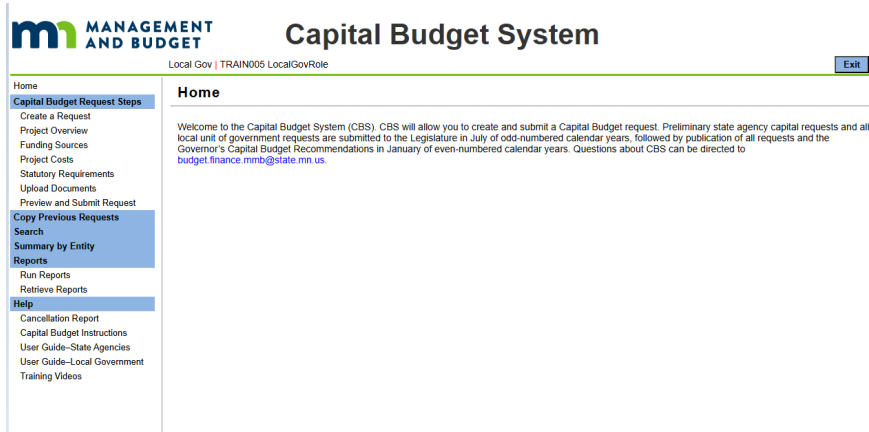
Big Picture



Timeline for 2026 Legislative Session Capital Budget Requests

Date	Deadline
May 1, 2025	MMB publishes instructions and CBS opens for requests
June 13, 2025	Deadline for all state agency preliminary requests to be submitted in CBS (Project Overview and Funding Sources screens)
July 15, 2025	Requests published and submitted to Legislature
Fall 2025	Bonding Tour Site Visits
September 15, 2025	Deadline for Agency Profile, Strategic Planning Summary, and Asset Preservation List (if applicable) to be submitted in SharePoint
October 17, 2025	Deadline for all state agency final requests to be submitted in CBS
January 15, 2026	All requests published and submitted to Legislature with the Governor's Recommendations

Enter Requests in the Capital Budget System (CBS)



- **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/>

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

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 2025 dollars to use MMB's inflation schedule to add inflation costs.**
 - Agencies should enter an updated mid-point of construction date in the Project Overview screen of CBS to add system-generated inflation
- **Exempt from inflation schedule:** statewide grant programs and asset preservation program
- Updated construction inflation factor estimates are presented in **Appendix 2** of the 2026 State Agency **Capital Budget Instructions**, based on various mid-point of construction dates
- *Note: to update a project from July 2024 dollars to July 2025 dollars, identify the July 2024 project costs before inflation or relocation costs are included and multiply by 3.7%*

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**
- Minimize construction tails and operating costs
- Reflect state agencies' strategic plans
- 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
- 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*

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
- **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



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

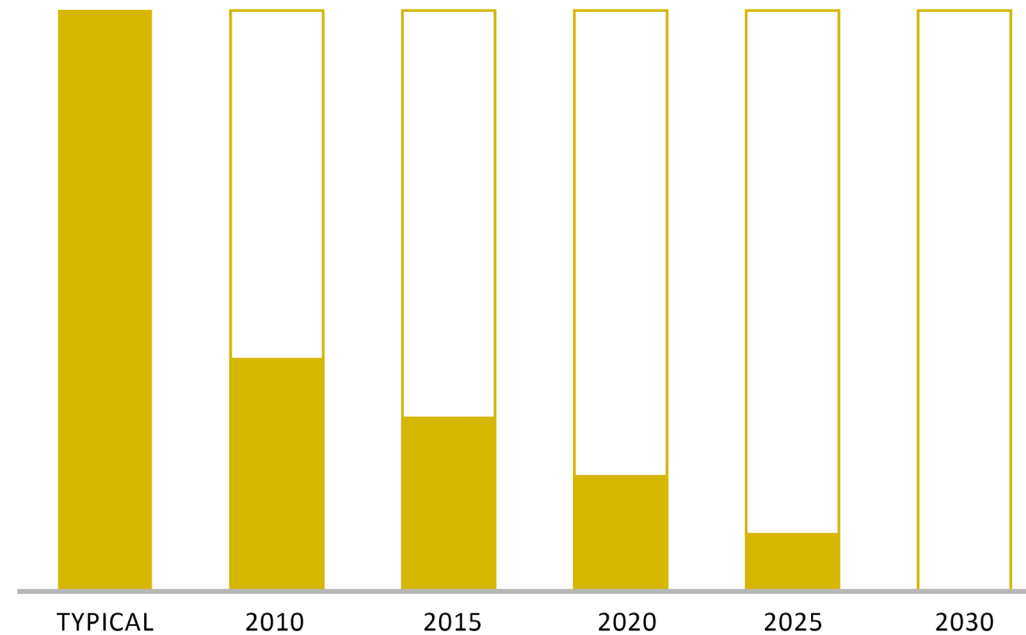


Indoor Environmental Quality



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.



SB 2030 Energy Standard

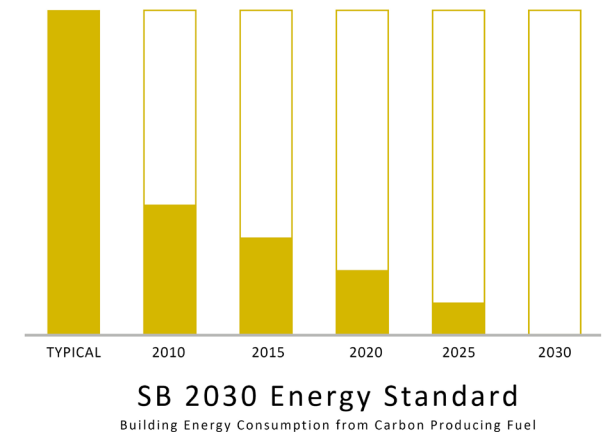
Building Energy Consumption from Carbon Producing Fuel

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

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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			

Predesign Phase
In Process

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 Maddy Kennedy, Capital Budget Coordinator, at madeleine.kennedy@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