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# **2024 Capital Budget Instructions for Local Units of Government**

May 15, 2023

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## Table of Contents

2024 CAPITAL BUDGET DEADLINE DATES FOR LOCAL GOVERNMENTS AND POLITICAL SUBDIVISIONS.....	3
HOW TO PREPARE A CAPITAL BUDGET REQUEST.....	4
Capital Budget Process.....	4
Assembly of Capital Request Documents .....	5
Projects Summary .....	5
Required Information in CBS.....	5
CBS Project Costs Definitions .....	12
Examples of Expenses for Each Project Cost Category .....	15
CBS Statutory Requirements Template and Field Descriptions.....	17
Minnesota Statutes 16B & 16C – General Authority of the Commissioner of Administration .....	18
Requirements under Minnesota Statutes 16A (MMB) .....	19
Requirements under Minnesota Statutes 473.4485 (Metro Area Transit) .....	22
Historic and Archaeological Properties.....	22
APPENDIX 1 - GLOSSARY OF TERMS.....	26
APPENDIX 2 - BUILDING INFLATION ADJUSTMENTS.....	28
Why Inflate Costs? .....	28
How Are Costs Inflated?.....	28
Which Projects Will Include Inflation? .....	29
Building Projects Inflation Schedule .....	30
APPENDIX 3 - USE OF GENERAL OBLIGATION BOND PROCEEDS .....	31
APPENDIX 4 - CAPITAL GRANTS AND USE AGREEMENTS .....	32
APPENDIX 5- STATE ACCOUNTING POLICIES AND PROCEDURES .....	34

## 2024 CAPITAL BUDGET DEADLINE DATES BUDGET DEADLINE DATES FOR LOCAL GOVERNMENTS AND POLITICAL SUBDIVISIONS

Timeline	Capital Budget Item
May 15, 2023	Capital Budget Instructions and CBS User Manual are issued.
<b>June 16, 2023</b>	Deadline for all local government requests to be submitted in CBS. The following screens must be completed: <ul style="list-style-type: none"> <li>• Project Overview</li> <li>• Funding Sources</li> <li>• Project Costs</li> <li>• Statutory Requirements</li> <li>• Upload Resolutions of Support</li> <li>• Upload Documents, including draft bill language</li> </ul>
July 17, 2023	Preliminary agency requests and all requests from local governments are forwarded to the Legislature (without Governor’s recommendations).
June - October 2023	MMB staff review requests and meet with entities as needed. Legislative committees and MMB staff gather information about projects and programs and conduct site visits.
<b>October 13, 2023</b>	Deadline for final edits to local government requests to be submitted in CBS. After June 16 and through October 13, edits can be made in CBS after contacting <a href="mailto:Marianne.Conboy@state.mn.us">Marianne.Conboy@state.mn.us</a> .
By the first week of December 2023	MMB issues state revenue and debt capacity forecasts.
January 16, 2024	Governor submits his 2024 Strategic Capital Budget to the Legislature.
By the end of May 2024	Legislature adopts and Governor approves the 2024 bonding (capital investment) bill.

## HOW TO PREPARE A CAPITAL BUDGET REQUEST

Information is collected in the Capital Budget System (CBS) that will become the capital budget request. This chapter provides “how-to” instructions to guide applicants through completion of the CBS screens. Specific instructions are provided for each screen.

In addition to this chapter, users should also refer to the Minnesota Management and Budget **Capital Budget System Local Units of Government User Guide** and **Capital Budget System Training Video** found on the [Capital Budget System website](#) for information on how to enter their request information into the capital budget system (CBS).

Please direct questions on capital budget policies, the process, schedule, or related requirements to Marianne Conboy, Capital Budget Coordinator, at 651-201-8189 or [Marianne.Conboy@state.mn.us](mailto:Marianne.Conboy@state.mn.us).

If you need access to the Capital Budget system, please complete the User Authorization Form found on the Minnesota Management and Budget [Capital Budget Instructions website](#).

If you experience technical issues with CBS, please contact [budget.finance.mmb@state.mn.us](mailto:budget.finance.mmb@state.mn.us).

### Capital Budget Process

The capital budget request process is carried out under the auspices of the Governor’s office with implementation coordinated by Minnesota Management and Budget (MMB). MMB manages the capital budget process and ensures general uniformity in the preparation of capital budget requests. Consistent preparation of requests is essential to the orderly review and analysis of capital budget proposals by MMB, the Department of Administration and other state agencies as needed, the Governor, and finally the Legislature.

Generally, MMB is interested in the strategic focus of capital budget requests. MMB reviewers will look at each entity’s long-range strategic mission and goals and examine the relationship of the capital requests on the entity’s state operating subsidy.

**Local units of government must use the Capital Budget System (CBS) to prepare requests. CBS is a web-based system accessed through the State of Minnesota administrative portal, used for entering all project narratives and numbers. Only requests submitted in the system will be considered for inclusion in the 2024 capital budget.** All capital requests are to be submitted in the formats shown in this chapter. Be sure to enter all dollar amounts in thousands of dollars.

Each entity may approach preparation of capital budget narratives somewhat differently. Nonetheless, MMB expects that within each local unit of government the request process involves coordination and communication between the program directors, facility managers, different departments, and governing body to ensure that priorities are established, and narratives are complete, consistent, and accurate.

## Assembly of Capital Request Documents

When presented to the Legislature and posted to the MMB website on July 17, 2023, and January 16, 2024, capital budget requests will be in a report format from CBS. The following is the sequence of reports for each local unit of government:

- Projects Summary listing

Then, for each project, in descending order of entity-assigned priority:

- Project Narrative
- Project Detail (including funding sources, costs detail, and statutory requirements)

### Projects Summary

The projects summary report is a listing of an entity's project requests on one form. Itemize all projects requested during the FY 2024-2029 six-year capital planning period according to your entity's priority ranking and include the amount of state funding that is requested for each project in each of the next three capital budget years: 2024, 2026 and 2028.

The Projects Summary report is populated from the Funding Sources in CBS and will display only the amount of **state** funds requested in that biennium (not total project costs).

If the project you are requesting in 2024 also has future phases, distinct multi-year commitments, or funding "tails" that will require additional authorizations in the future (2026 and 2028), this information should be identified on the Funding Sources page to ensure it is displayed on the Projects Summary report.

### Required Information in CBS

The following are descriptions of the screens and fields in CBS that collect the information needed to populate the Project Summary, Project Narrative, and Project Detail reports that will form your entity's capital budget book. The following table details a description of each field and the information required in it, who (local governments or state agencies) must complete each field, and by which deadline.

Additionally, please see MMB's [Capital Budget Instructions website](#) for a new "Capital Request Form" template (PDF) that provides users the option to prepare a capital budget request outside of CBS, and then to copy and paste the information into the system *as plain text*.

**CBS Field Guide**

\* Complete only if it applies to your entity or project.

**Project Overview Screen**

Field	Field Description	Local Units of Government	State Agency		Notes
		Required for June Deadline	Required for June Deadline	Required for Oct. Deadline	
<b>Project Rank</b>	Each project must be assigned a rank based on the entity's priority order, as required by <a href="#">M.S. 16A.11, subd. 3a.</a>	X	X	X	
<b>Facility/Campus</b>	For state agencies with multiple campuses or facilities, select the applicable campus or facility.	N.A.	X*	X*	
<b>City</b>	Select the city the project is located.	X	X	X	State agencies only: select "Statewide" for City and County and leave the zip code blank if the request is for a statewide program.
<b>County</b>	County will automatically populate.	X	X	X	
<b>Zip Code</b>	Enter zip code.	X	X	X	
<b>Contact Name</b>	Enter project contact name, title and phone number.	X	X	X	
<b>Contact Title</b>		X	X	X	
<b>Contact Phone</b>		X	X	X	
<b>Contact Email</b>	Enter project contact email	X	X	X	The Contact email is also used for system-generated email notifications when the request is submitted.
<b>Project Summary</b>	Summarize the request in two sentences. Example: " <i>\$10 million in state funds is requested to acquire land, predesign, design, construct, furnish and equip a new building for the department of X to be located in X.</i> "	X	X	X	
<b>Project Description</b>	Describe the project in detail, including scope, total cost, key funding sources, etc.	X	X	X	
<b>Project Rationale</b>	Why is this project needed? Justify this request.	X	X	X	
<b>Project Timeline</b>	Describe the sequence of the project by month/year	X	X	X	

Field	Field Description	Local Units of Government	State Agency		Notes
		Required for June Deadline	Required for June Deadline	Required for Oct. Deadline	
	(predesign, engineering, design, construction etc.). Summarize other influencing factors or interactions (ex: coordinating the request with other projects).				
<b>Other Considerations</b>	Any additional information that decision makers should know about this project.	X	X	X	One may note if the project includes a focus on equity, climate, etc.
<b>Who will own the project?</b>		X	X	X	
<b>Who will operate the project?</b>		X	X	X	
<b>Who will use or occupy the project?</b>	Who will be using the facility? Will it be leased?	X	X	X	
<b>Public Purpose</b>	Describe the public purpose served by this project.	X	N.A.	N.A.	This field is specifically required for local projects.
<b>Impact on Operating Budgets (state agencies) OR Impact on State Operating Subsidies (local units of gov't)</b>	State agencies summarize the project's impact on the agency's operating budget over the upcoming six-year period. Local units of government identify any new or additional state operating dollars that will be requested for this project.	X*	X*	X*	Required under <a href="#">M.S. 16A.11, subd. 5</a> . This section provides a brief narrative. Corresponding annual costs are identified on the Project Costs screen.
<b>Anticipated Encumbrance Date</b>	For state agencies, when do you expect the funds to be encumbered for the project? For local units of government, what is the anticipated start date of the project?	X		X	
<b>Anticipated Mid-Point of Construction</b>	Select a date if inflation is not already included in project costs. This is the midpoint between arrival of site work crews and certificate of	X*		X*	State agencies should not enter a date for asset preservation or grant programs,

Field	Field Description	Local Units of Government	State Agency		Notes
		Required for June Deadline	Required for June Deadline	Required for Oct. Deadline	
	occupancy. The date entered will trigger a system calculated inflation factor that will be applied to the total project cost.				but always enter a date for other applicable projects. Local units of government should not enter a date if inflation costs are already included in project costs.
<b>Inflation Checkbox</b>	Local units of government select this checkbox if inflation is already included in project costs. If selected, then do <u>not</u> enter a midpoint of construction.	X*	N.A.	N.A.	
<b>Anticipated End Date</b>	When will the project be completed? If applicable, when will the certificate of occupancy be issued?	X		X	
<b>Project Phase</b>	If the project is phased, note the phase this request will fund.	X*	X*	X*	
<b>Description of Previous State Appropriations</b>	Enter the year, amount, and purpose of any previous state appropriations related to this request.	X	X	X	For state capital budget appropriations, include the legislative session of the bill. For state operating budget appropriations, include the state fiscal year of the appropriation.
<b>Statutory Program Citation</b>	State agencies requesting funds for a program established in statute enter the legal citation.	N.A.	X*	X*	Leave blank if it does not apply to your request.
<b>Project Type</b>	Select the project type that best describes your request. If the request fits more than one type, select "Multiple." If the project type isn't listed, select "Other."	X	X	X	



Field	Field Description	Local Units of Government	State Agency		Notes
		Required for June Deadline	Required for June Deadline	Required for Oct. Deadline	
<b>Facility Condition Index</b>	If an independent assessment has been conducted on your facility, such as a facility condition assessment through the Dept. of Administration, note the condition rating here.	N.A.	X*	X*	
<b>Resolutions</b>	Local units of government must complete this section, including uploading the resolution of support document, if there is one.	X	N.A.	N.A.	Local units of government must identify if a resolution, with projects listed in priority order, has passed, per <a href="#">M.S. 16A.86, subd. 3a (6)</a> .

**Funding Sources Screen** (Enter the dollars into the table in thousands (000s.))

Field	Field Description	Local Units of Government	State Agency		Notes
		Required for June Deadline	Required for June Deadline	Required for Oct. Deadline	
<b>State Funds Requested and Prior Year State Appropriations</b>	<p>Enter the amount requested each year for GO bonds or other state sources.</p> <p>Request year 2024 amounts are for the project or project phase requested in the 2024 legislative session.</p> <p>Also include any prior year state appropriations that have been made for the project.</p>	X	X	X	<p>The request amount will be published in July and in January.</p> <p>For state agency asset preservation and grant programs, enter the 2024 request amount in 2026 and 2028 for planning estimates.</p> <p>Note: prior year state approps might not be fully spent yet, but they should be entered as fully spent on the Project Costs screen, since sources must match uses (costs).</p>

Field	Field Description	Local Units of Government	State Agency		Notes
		Required for June Deadline	Required for June Deadline	Required for Oct. Deadline	
<b>State Funds Pending</b>	Enter any state funds for the project that are pending and assumed in the project budget. For example: if the project applied for state grant funds but awaits notification of the award decision.	X*	N.A.	N.A.	
<b>Non-State Funds Already Committed to the Project</b>	Enter any non-state <u>committed</u> matching funds for the project, such as funds spent (enter in prior years), or funds committed to the project (enter in 2024 for the current request, or in 2026/2028 for future phases).	X		X*	
<b>Non-State Funds Pending</b>	Enter any non-state <u>pending</u> matching funds for the project (enter in 2024 for the current request, or in 2026/2028 for future phases).	X*		X*	
<b>Comments on Prior Year Funding</b>	Comments or additional information about funding from previous years.				Optional
<b>Comments on Funding Request</b>	Comments or additional information about the project.				Optional
<b>Additional Comments on Sources of Funds</b>	Comments or additional information about funding sources.				Optional

**Project Costs Screen** (Enter the dollars into the table in thousands (000s.)

Field	Field Description	Local Units of Government	State Agency		Notes
		Required for June Deadline	Required for June Deadline	Required for Oct. Deadline	
<b>Project Costs Direction</b>	Prompts the user to answer three questions, to pull the correct Project Costs form.	X	X	X	Only applies the first time a project is entered.

Field	Field Description	Local Units of Government	State Agency		Notes
		Required for June Deadline	Required for June Deadline	Required for Oct. Deadline	
<b>Costs less Funding</b>	Zeroes should display for each year, indicating that the project costs equal the total funding sources. If zeroes are not displayed, adjust funding sources and/or costs until they balance.	Auto calculated	Auto calculated	Auto calculated	You will not be able to Final-submit your project if sources and costs do not match in each column.
<b>Comments on Project Costs</b>	Comments or additional information about project costs.				Optional
<b>IT Costs</b>	If the project will result in an increase in IT operating costs, please include the amount per year here.	N.A.		X*	
<b>Operating Budget Impact (\$)</b>	For state agencies, enter the annual change to the agency's operating budget due to this project. For local units of government, if any new or additional state operating dollars will be requested along with this project, note the amount per year.	X*		X*	For example, the 2024 amount represents the total state operating impact in state fiscal year 2025. If the amount changes from year to year, please note in the Impact on Operating Budgets field on the Project Overview screen.
<b>Operating Budget Impact (FTE)</b>	Related to your response above, enter the amount of state Full Time Equivalents (FTE) that will be added or reduced as a result of this project.	N.A.		X*	
<b>System Calculated Contingency</b>	5% contingency will be calculated and displayed, based on total project costs. This is generally the recommended amount of contingency that should be included in your project costs total.	Auto calculated	Auto calculated	Auto calculated	Note: the ideal percentage included for a project can vary; see the CBS Project Costs Definitions for more information.
<b>Contingency Included in Request</b>	If you included contingency in your project costs, enter that amount.	X*		X*	State agencies should not include

Field	Field Description	Local Units of Government	State Agency		Notes
		Required for June Deadline	Required for June Deadline	Required for Oct. Deadline	
					contingency for asset preservation or grant programs.
<b>Contingency Difference</b>	Auto calculated difference between System Calculated Contingency and Contingency Included in Request.	Auto calculated	Auto calculated	Auto calculated	
<b>Comments on Contingency</b>	Comments or additional information about the rationale for the contingency selected for the project.				Optional

### CBS Project Costs Definitions

The project cost screen presents total project costs across all years (past, present, and future) from all funding sources (state funds and others). **Project costs should either include inflation already or use MMB’s inflation schedule to include inflation.**

- To use MMB’s inflation schedule, enter cost estimates in July 1, 2023 dollars on the Project Costs screen and CBS will calculate an inflation adjustment at a rate based on the mid-point of construction entered in the Project Overview screen with the schedule provided in [Appendix 2](#) of this document.
- If a local government’s project costs already include inflation, then leave the mid-point of construction on the Project Overview screen blank and select the checkbox for “Inflation is already included in project costs.”

Below are definitions of the cost categories.

**Property Acquisition:** The use of funds to acquire land, easements, options, or land with buildings or other improvements. Please note that the purchase of options, while they may correctly be included on the project cost form, are not a bondable expense and must be paid from general fund cash.

**Predesign Fees:** Predesign is the stage in the development of a project during which the purpose, scope, cost, and schedule of the complete project are defined. The fees consumed in preparation of predesign can range up to 1% or more of total project costs depending on the scale and complexity of the project.

**Design Fees:** The stage in the development of a project during which schematic, design development, and contract documents are produced. These design services include normal architectural, structural, mechanical and electrical engineering services that cover the schematic, design development, contract documents, bidding, and construction administration stages of a construction project. Reimbursable items, additional services and specialty consultants should be added.

- *Schematic Design* includes drawings and other documents illustrating the scale and relationship of project components.
- *Design Development* is the stage of the architect's services in which the architect prepares design development documents for submission to the owner for the owner's approval.
- *Contract Documents* include agreements between the owner and contractor, conditions of the contract (general, supplementary, and others), drawings, specifications, and addenda issued prior to execution of the contract, other documents listed in the agreement and modifications issued after execution of the contract.
- *Construction Administration* includes the responsibilities of the architect and owner's representative during the construction stage.

**Project Management:** This is the process of planning, scheduling, and controlling the critical aspects of the owner's program. The quality, budget, and deadlines are protected through the use of entity staff (owner administration) or outsourcing (owner's project representative).

- *State Staff Project Management* are costs a state entity charges to a construction project to cover internal state staff costs directly related to development of the project, typically for in-house architects and project managers.
- *Non-State Project Management* includes services provided to an owner of a project during the design and/or construction stage by a person or entity possessing requisite training experience. These services may include advice on the time and cost consequences of design and construction decisions, scheduling, cost control, coordination of contract negotiations and awards, timely purchasing of critical materials and long-lead items, and coordination of construction activities and contracts.
- *Commissioning* is a process verifying the implementation of design and construction, correcting project deficiencies, and recording warranties and guarantees. Building systems that have been checked to see that they are functioning properly use less energy, experience less down time and require less maintenance, thereby saving money and ensuring peak building performance. Commissioning ideally begins in the design phase and extends through at least the first year of occupancy.

**Construction Costs:** The total cost or estimated cost to the owner of all elements of the project designed or specified by the architect. It does not include the compensation of the architect and the architect's consultants, the cost of land, rights-of-way, financing, or other costs which remain the responsibility of the owner.

- *Site & Building Preparation* is work performed within the perimeter of the land parcel but beyond five feet from the existing structure or new construction that would include infrastructure/roads/utilities.
- *Demolition/Decommissioning* is the cost for razing a facility or removing from service permanently. Hazardous material abatement associated with this action should be itemized separately under the hazardous material abatement category but included in the total cost of

the project budget. Demolition/decommissioning on its own without associated reconstruction is not a bond-eligible expense.

- *Construction* includes costs associated with construction of the facility.
- *Infrastructure/Roads/Utilities* are costs for the construction or enhancements to infrastructure, roads, grounds, or utilities.
- *Hazardous Material Abatement* is any costs associated with the encapsulation and/or abatement of hazardous materials in structures associated with the construction project.
- *Testing* is the cost for any site, including environmental, testing that will be conducted as part of the project.
- *Construction Contingency* is an amount of money set aside for unforeseen conditions in a construction project. The amount can vary from 2% to 5% in new construction, to 5% to 10% in projects of a remodeling nature based on project size and complexity. Differences in localized costs, design contingencies, or other items should be factored into the general construction cost.

**Relocation:** Moving costs associated with relocating from one facility to another are not bond-eligible costs. Any relocation costs, included on the project cost form, must be paid from other funding sources. Inflation does not apply to relocation costs.

**One Percent for Art:** M.S. 16B.35 allows an appropriation “for the construction or alteration of any state building” to include up to one percent for the acquisition of works of art for the public spaces of the building or its grounds. This “1% for Art” provision defines a state building as one where the construction or alteration is paid for, wholly or in part, by the state.

**Occupancy:** The purpose for which a building, or part thereof, is used or intended to be used (Uniform Building Code). Note that not all these items are necessarily bond-eligible costs.

- *Furniture, Fixtures and Equipment (FF&E)* are items not normally considered permanently attached to the structure but are considered a bondable cost in situations of new construction or major renovation. Office systems furniture is an example. Information technology systems are another example when they are part of a new building or major renovation but does not include personal computers or software.
- *Telecommunications (voice & data)* are specialty equipment supplied by a separate contract from those for construction or FF&E.
- *Security Equipment* is usually supplied by a separate contract from those for construction or FF&E.

**System Calculated Inflation:** The rate of construction cost increases over the duration of the building project, calculated to the midpoint (month/year) of construction (see [Appendix 2](#)). Inflation will automatically be applied to the total project cost, less relocation expenses, at an inflation rate based on the mid-point of construction date entered on the Project Overview screen. If inflation is already

included in project costs, do not enter a midpoint of construction on the Project Overview screen. Instead, select the checkbox for “Inflation is already included in project costs.”

**Changes in State Operating Subsidies:** If new or additional state operating dollars will be requested for this project over a six-year period, specify the amount by year and any FTEs that will be added or eliminated. Local units of government should not complete this section unless their project impacts the state operating budget or will result in future state operating budget requests.

- *IT Costs* are new information technology costs as a result of the project that would be managed by MNIT. This does not apply to local units of government, so you may skip it.
- *Operating Budget Impact (\$)* refers to:
  - Direct and indirect program and building operations staffing costs associated with this request
  - Other program related expenses
  - Costs related to the operations of the physical building such as maintenance, utilities, security, repair and alteration, and any other costs associated with the building operation
  - Building Repair and Replacement Expenses are expenses accrued or anticipated for building repair.
  - State-owned lease expenses
  - Nonstate-owned lease expenses
  - Revenue offsets
- *Operating Budget Impact (FTE)* are changes in the number of full-time equivalent employees associated with this request.

### Examples of Expenses for Each Project Cost Category

Below are examples of expenses that fit within the cost categories on the Project Costs screen. Please note that not all of these examples are eligible to receive state bonding funds.

Project Cost Category	Examples of Expenses
<b>1. Property Acquisition</b> Land, Land Easements, Options Land and Buildings	Acquisition Costs Appraisal Fees Building Surveys (condition and space) Demolition/Stabilization Land Surveys Utility Connection Fees Hazardous Materials Surveys Geotechnical Investigations Environmental Impact Historic Preservation Requirements
<b>2. Predesign Fees</b>	Fees to Prepare Scope and Budget Visit Similar Projects Staff Time Participation and Review Analyze Soil Characteristics (geotechnical) Environmental Impact Optional Site and Market Studies

Project Cost Category	Examples of Expenses
<b>3. Design Fees</b> Schematic Design Development Contract Documents Construction Administration	Architectural/Engineering Fees and Reimbursables Special Consultants (food service, acoustics, code, signs/graphics, etc.)
<b>4. Project Management</b> State Staff Project Management Non-State Project Management Commissioning	Internal Staff Costs Other Administration (travel, meetings, etc.) Geotechnical Investigations Air Monitoring Ground Water or other Special Monitoring Security Advertising Printing Legal Fees Plan Review Costs (building officials, special consultants) Special Inspections/Quality Control Building Permits Temporary Utilities Access Charges, SAC/WAC Builders Risk Insurance Financing Costs Owner's Discretionary Contingency Construction Management Fees Construction Management Reimbursables
<b>5. Construction Costs</b> Site & Building Preparation Demolition/Decommissioning Construction Infrastructure/Roads/Utilities Hazardous Material Abatement Testing Construction Contingency	Building Permits Access Charges, SAC/WAC Demolition Clearing and Grubbing Site Work Foundations Floor System Columns Roof System Exterior Wall Exterior Glazing Interior Wall Doors Specialties Equipment Conveying Systems Plumbing Fire Protection Heating, Ventilating and Air Conditioning Electrical General Conditions, Overhead and Profit Management Fees Design Contingency



Project Cost Category	Examples of Expenses
	Soil and Material Testing Construction Contingency
<b>6. One Percent for Art</b>	Construction costs only
<b>7. Relocation (Not Bond-eligible Costs)</b>	Temporary Relocation (swing space) Permanent Relocation Moving Consultants/Contractors Ground-breaking, Open House/Dedication
<b>8. Occupancy (Not all Bond-Eligible Costs)</b> Furniture, Fixtures and Equipment Telecommunications (voice & data) Security Equipment	Movable Furnishings, Fixtures and Equipment Telecommunications (voice & data) Security Equipment (if not included in construction costs) Artwork (other than percent for art) Voice/Data Cabling (if not included in construction costs) Signs (if not included in construction costs) Keying and Security Programming Occupancy Permit Custodial Equipment Final Cleaning

**CBS Statutory Requirements Template and Field Descriptions**

This screen identifies state law requirements that apply to capital projects *after* the project is authorized by the Legislature. Users must check Yes, No, or N.A. for all statutory requirements listed.

This section provides a brief overview of some of the noteworthy requirements of capital appropriations. You should become familiar with these requirements, not just as part of the application process, but also to understand the impact of these requirements after a state appropriation is awarded. **Please note that this is not intended as an exhaustive reference to all requirements, but rather as a summary of the most noteworthy items, common questions, and sources of additional information.**

Agencies, grantees, and other applicants for state bond proceeds appropriations should consult with their financial and legal advisors regarding these and other requirements.

If you have questions about completing this section, please contact Marianne Conboy, Capital Budget Coordinator, at 651-201-8189 or [Marianne.Conboy@state.mn.us](mailto:Marianne.Conboy@state.mn.us).

**Note:** *The 2023 Legislature is considering changes to statutory requirements associated with capital projects funded with state funds, including Minnesota Statutes 16B.325 (HF749 and HF1132), which governs Minnesota’s Sustainable Building Guidelines. The 2023 Legislature is also considering changes to Minnesota Statutes 16B.335 (HF1132) which governs project predesign review by the Department of Administration and project program plan and cost estimate review by the Legislature. This instructions document may be updated and republished as needed, following the 2023 Legislative Session.*

## Minnesota Statutes 16B & 16C – General Authority of the Commissioner of Administration

The Commissioner of Administration is required to supervise and control the making of all contracts for the construction of buildings and for other capital improvements to state buildings and structures, other than buildings and structures under the control of the board of trustees of the Minnesota State Colleges and Universities (MN State). A state agency may not undertake improvements of a capital nature without specific legislative authority unless the improvement is minor in scope or is an asset preservation project.

Additionally, the Commissioner of Administration is required to develop a coordinated facility planning process for offices located outside the metropolitan area for the following agencies: the Departments of Health, Agriculture, and Natural Resources, the Pollution Control Agency, and the Board of Water and Soil Resources. Any proposals for consolidation or construction of facilities for these agencies that are included in budget documents submitted to the Legislature must first be considered as part of the planning process required by this section.

### 1. Minnesota Statutes 16B.335 – Major Construction and Legislative Design Review Requirements

Project design activities must comply with the provisions of [M.S. 16B.335, subd. 1 and 2](#), regarding preparation of design documents and their subsequent review by the chairs of legislative committees prior to preparation of construction documents.

Paragraph (a) of M.S. 16B.335, subd. 1 restricts a recipient of a capital appropriation from preparing “...*final plans and specifications for any construction, major remodeling, or land acquisition in anticipation of which the appropriation was made until the agency that will use the project has presented the program plan and cost estimates for all elements necessary to complete the project to the chair of the senate Finance Committee and the chair of the house of representatives Ways And Means Committee and the chairs have made their recommendations, and the chair and ranking minority member of the senate Capital Investment Committee and the chair and ranking minority member of the house of representatives Capital Investment Committee are notified.*”

Paragraph (b) of this same subdivision exempts certain types of projects from the legislative design review requirements.

Please review this statute in its entirety and consult with the legislative chairs named in the statute for further information regarding the documents that must be submitted to meet the legislative design review requirements.

### 2. Minnesota Statutes 16B.335 – Predesign Review Requirements

As part of the state’s efforts to make better informed capital investment decisions, [M.S. 16B.335, subd. 3](#), requires agencies and grantees to prepare predesign documents on most capital projects. Real Estate and Construction Services (within Admin) must review the predesign documents before design work or any other work on a project can begin.

The [Predesign Manual for Capital Budget Projects](#) is published and occasionally revised by Real Estate and Construction Services (RECS) within the Department of Administration. This manual is

a useful guide that will help a local government complete the project predesign in accordance with state law.

Please direct any questions on the predesign manual to Eric Radel in RECS at (651) 201-2380 or [eric.radel@state.mn.us](mailto:eric.radel@state.mn.us). Additional information can be found on the [RECS guidelines website](#).

### **3. & 4. Minnesota Statutes 16B.325 – Sustainable Building Guidelines**

As required by state law, the Departments of Administration and Commerce have developed sustainable building design guidelines for all new state buildings and major renovations for state buildings. The primary objectives of these guidelines, known as the “B3 Guidelines,” concern the energy efficiency of new state buildings. [M.S. 16B.325](#) specifies that these guidelines “... are mandatory for all new buildings receiving funding from the bond proceeds fund after January 1, 2004, and for all major renovations receiving funding from the bond proceeds fund after January 1, 2009.” Both agencies and local government grantees must follow the sustainable building guidelines.

The [B3 Guidelines](#) are available online at <http://www.b3mn.org/>. Questions regarding the B3 Guidelines should be directed to Patrick Smith at (612) 626-9709 or [guidelines@b3mn.org](mailto:guidelines@b3mn.org).

### **6. Minnesota Statutes 16C.16, subd. 13 – Targeted Group Purchasing**

Publicly owned capital projects funded by the state must use contracts that comply with [M.S. 16C.16, subd. 13](#). This requirement applies to state agencies and political subdivisions when the total cost of a project (not just the state’s share) exceeds \$100,000. Contracts administered for state-funded capital improvement projects must promote the use of targeted businesses designated by the state, which are owned and operated by women, individuals with disabilities, or members of minority groups.

## **Requirements under Minnesota Statutes 16A (MMB)**

### **1. & 2. Public Ownership, Public Purpose, and Use Agreements for State-Funded Projects**

The Minnesota Constitution, in Article XI, Section 5, limits the appropriation of state general obligation bonds to state agencies and political subdivisions of the state. Because of this constitutional constraint, grants or loans for capital projects from bond proceeds **cannot** be made directly to non-profit or for-profit organizations, Indian tribes or the federal government.

M.S. 16A.695 applies to all state bond financed property and contains provisions that must be followed when a capital project benefits a non-profit or for-profit organization. Generally, for a private organization to benefit from state bond proceeds, the capital project must be owned by a state agency or political subdivision that enters into a use agreement with the private organization to provide a public program to be carried out by the private organization.

A state agency or political subdivision is required to be more than merely a conduit with a one-time responsibility of passing the bond proceeds through a grant agreement to a private organization. The public entity that enters into a use agreement with the private organization must be an active participant in the public program, and it must also have ongoing oversight of the program. The Commissioner of Minnesota Management and Budget must approve all use agreements for bond-financed property.

The Commissioner's *Fourth Order Amending the Order of the Commissioner of [MMB] Relating to Use and Sale of State Bond Financed Property* includes more detail on the requirements that apply to bond-financed property that is used by or sold to a non-public party or sold for another purpose. (A link to this document appears in [Appendix 4](#).)

If the state bond-financed program is discontinued and/or a local government is considering selling the capital asset or facility, the local government must comply with all applicable sale and reimbursement conditions. The Commissioner of MMB must approve all sales of bond-financed property.

### **3. , 4., & 6. Capital Appropriations with Non-State Matching Requirements**

**Local projects are highly encouraged to provide at least 50% in non-state matching funds for a capital project. Please note that there is no official "waiver" process to be made exempt from a 50% non-state match.**

While a 50% non-state match from local governments is normally required through [M.S. 16A.86, subd. 4](#), the Governor or the Legislature may recommend funding for a local project that has less than 50% non-state match if there is a compelling reason. In a capital investment bill, if there is a non-state match requirement for an appropriation, then that requirement will be written into the legislation. Non-state funding may include federal, local, and private funds.

It is important to remember that even if the bill language is silent regarding a non-state matching requirement, the full funding provisions of M.S. 16A.502 will apply to the appropriation.

**Full funding must be in place in order for state funds to be released for a capital project.**

Applicants should become familiar with [M.S. 16A.502](#), which states, in part, "If a state appropriation or grant for a capital project or project phase is not sufficient, by itself, to complete the project or project phase, and thus requires a commitment from other sources: (1) the commitment, including any required match, must be in an amount that, when added to the appropriation or grant, is sufficient to complete the project or project phase; and (2) the appropriation or grant is not available until the commissioner [of MMB] has determined that the commitment is sufficient."

For state agencies, [M.S. 16B.31, subdivision 2](#), requires capital improvement projects to have full funding. This statute specifies that "No plan may be adopted, and no improvement made or building constructed by the commissioner [of Administration] or any other agency to whom an appropriation is made for a capital improvement, that contemplates the expenditure for its completion of more money than the appropriation for it, unless otherwise provided in this section or the act making the appropriation."

**Grantees must provide sufficient documentation to the granting agency to verify compliance with all matching requirements.**

If additional financing is needed to complete a capital project (above and beyond the state appropriation) and reach full funding, then the grantee must demonstrate that all financing is in place to complete the project before any grant funds will be released. The grantee must provide

documentation to certify that the funds have been received, or that the grantee has in place a legally binding commitment securing the funding.

If an appropriation has a non-state match requirement, then the grantee must provide documentation to certify that non-state matching funds have been received, or that the grantee has in place a legally binding commitment to secure the funding.

Granting agencies must submit this documentation to the MMB Capital Bonding Coordinator prior to submitting a transaction in the Appropriation Maintenance Application (AMA) requesting that MMB activate the project's appropriation. Once full funding and/or match funding documentation are approved, MMB staff will activate the project's state appropriation.

**State general obligation bonds cannot be used to reimburse expenses incurred in the past.**

Political subdivisions that receive a grant or a loan made from state general obligation (GO) bond proceeds sometimes want to be reimbursed from the bond proceeds for expenses that incurred in the past and for which they have already paid their contractor from other funds. However, Minnesota's general obligation bonds are tax-exempt. Federal tax law regulates the issuance and the use of tax-exempt bonds by states and local governments. The tax regulations limit the state's ability to use the proceeds of tax-exempt bonds to reimburse costs that have already been paid from other funds.

Any expenses incurred by a political subdivision for a project prior to the effective date of the bonding bill must remain funded by sources other than GO bond proceeds, such as local funds. Non-state expenditures such as these can count toward matching funds and/or full funding for the project. Until state funds are appropriated, and a grant agreement is entered into, the grantee begins work at its own risk and is responsible for understanding and complying with all applicable public contracting rules.

**A grantee must show that they have the ability and a plan to fund the operations of a project.**

A grantee must demonstrate to the state granting agency that it has the ability and a plan to fund the program intended for the facility (see Minnesota Statutes 16A.695, subd. 5). If the grantee will be entering into a contract with a third party to operate the program, then that organization must demonstrate an ability and a plan to fund the program.

For further information, please refer to the financial operating policy 0302-01. Specific questions regarding matching requirements should be forwarded to the Capital Bonding Coordinator, [Roger.Behrens@state.mn.us](mailto:Roger.Behrens@state.mn.us).

**5. Project Cancellations in 2029**

[M.S. 16A.642](#) requires the Commissioner of Minnesota Management and Budget to report to the Legislature by January 1 of each year regarding unencumbered or unspent balances of capital appropriations enacted more than four years prior to that date. The reported amounts automatically cancel as of July 1 of the year of the report unless re-authorized by the Legislature.

The Commissioner will report the status of projects authorized in the 2024 bonding bill with unencumbered balances to the Legislature on January 1, 2029. All funding from the 2024 bonding bill that has not been contractually obligated or expended prior to that date will be cancelled on July 1, 2029, unless it is re-appropriated by the Legislature. To avoid having a project included in the 2029 cancellation report, agencies and grantees should be prepared to move the project along to completion.

## Requirements under Minnesota Statutes 473.4485 (Metro Area Transit)

### 1. & 2. Guideway Projects

Any requests for state funds for a guideway project (as defined in statute) must submit a financial plan for the project to the legislature.

## Historic and Archaeological Properties

Specific provisions of state law require state departments and agencies, as well as political subdivisions of the state (i.e., local units of government), to consider the potential impacts that state-assisted projects may have on historic and archaeological properties and consult with the State Historic Preservation Office (SHPO), Office of the State Archaeologist (OSA), and the Minnesota Indian Affairs Council (MIAC) in an effort to identify and avoid adverse impacts to significant historic and archeological properties.

### When to consult SHPO

[Minnesota Statute 138.666](#) requires cooperation with the Minnesota State Historic Preservation Office in the preservation of historic and archaeological properties and the Minnesota Historical Society in safeguarding state historic sites.

*The state, state departments and agencies, political subdivisions, and the Board of Regents of the University of Minnesota shall cooperate with the Minnesota Historical Society and State Historic Preservation Office in safeguarding state historic sites and in the preservation of historic and archaeological properties.*

[Minnesota Statute 138.665, Subd. 2](#) requires state departments, agencies, and political subdivisions of the state, to consult with the State Historic Preservation Office regarding a state assisted project's potential effects to historic properties listed in the National or State Register of Historic Places, and to find ways to avoid and mitigate any adverse effects on designated or listed historic properties. That statute specifies.

*The state, state departments, agencies, and political subdivisions, including the Board of Regents of the University of Minnesota, have a responsibility to protect the physical features and historic character of properties designated in sections 138.662 and 138.664 or listed on the National Register of Historic Places created by Public Law 89-665. Before carrying out any undertaking that will affect designated or listed properties, or funding or licensing an undertaking by other parties, the state department or agency shall consult with the State Historic Preservation Office pursuant to the State Historic Preservation Office's established procedures to determine appropriate treatments and to seek ways to avoid and mitigate any adverse effects on designated or listed properties.*

**When to consult SHPO, OSA, and MIAC**

[Minnesota Statute 138.40, Subd. 3](#) requires state departments, agencies, and political subdivisions of the state to consult with SHPO, OSA, and MIAC when a project may affect known or suspected archaeological sites on non-federal public lands.

*When significant archaeological or historic sites are known or, based on scientific investigations, are predicted to exist on public lands or waters, the agency or department controlling said lands or waters shall submit construction or development plans to the state archaeologist and the State Historic Preservation Office for review prior to the time bids are advertised. The state archaeologist and the State Historic Preservation Office shall promptly review such plans and within 30 days of receiving the plans shall make recommendations for the preservation of archaeological or historic sites which may be endangered by construction or development activities. When archaeological or historic sites are related to Indian history or religion, the state archaeologist shall submit the plans to the Indian Affairs Council for the council's review and recommend action.*

**When to consult OSA, and MIAC**

[Minnesota Statute 307.08, Subd. 10](#) requires state departments, agencies, and political subdivisions of the state to consult with the OSA and MIAC when a project could affect known or suspected human burials.

*When human burials are known or suspected to exist, on public lands or waters, the state or political subdivision controlling the lands or waters or, in the case of private lands, the landowner or developer, shall submit construction and development plans to the state archaeologist for review prior to the time bids are advertised and prior to any disturbance within the burial area. If the known or suspected burials are thought to be Indian, plans shall also be submitted to the Indian Affairs Council. The state archaeologist and the Indian Affairs Council shall review the plans within 30 days of receipt and make recommendations for the preservation in place or removal of the human burials or remains, which may be endangered by construction or development activities.*

## **State Historic Preservation Office (SHPO) Project Review**

The SHPO encourages consultation early in the capital project planning process, particularly for projects which have the potential to affect historic or archaeological properties, to avoid costs or delays later if the project must be modified.

If you are unsure whether your project may affect a designated historic or archaeological property, please refer to the [“Accessing SHPO Files” website](#).

To initiate consultation and submit a project to the SHPO for review under the above state statutes, please review and follow the guidelines provided on the [SHPO Environmental Review](#) website. Project submissions must be sent electronically, following the current guidance presented on the webpage.

Questions regarding the SHPO review process and timeline for state-funded projects should be directed to Kelly Gragg-Johnson, Environmental Review Program Specialist, at (651) 201-3285 or [Kelly.graggjohnson@state.mn.us](mailto:Kelly.graggjohnson@state.mn.us).

## **Office of the State Archaeologist (OSA) Project Review**

If you would like the OSA to review a project, complete the Project Review Request Form located at: <https://mn.gov/admin/archaeologist/government/project-review/> and email it to [OSA.Project.Reviews.ADM@state.mn.us](mailto:OSA.Project.Reviews.ADM@state.mn.us). Please note that the Office has 30 days to review a project.

Questions regarding the OSA review process and timeline should be directed to Jennifer Tworzynski, Assistant to the State Archaeologist, at (651) 201-2265 or [OSA.Project.Reviews.ADM@state.mn.us](mailto:OSA.Project.Reviews.ADM@state.mn.us).

## **Minnesota Indian Affairs Council (MIAC) Project Review**

To initiate consultation with MIAC under M.S. 138.40 and M.S. 307.08, or to submit construction and development plans, please email [MIAC.culturalresources@state.mn.us](mailto:MIAC.culturalresources@state.mn.us). Please note MIAC has 30 days to respond to reviews.

## **Additional Requirements**

### **Prevailing Wage**

Minnesota Statutes 177.42-44 requires that for any construction project funded in whole or in part by state funds, contractors must pay prevailing wages and hours of labor. Prevailing wage is the minimum hourly wage employers must pay certain workers who work on construction projects where state dollars are used to fund the construction. The prevailing wage includes the employer's cost of benefits.

Additional information is provided on the Department of Labor and Industry website: <https://www.dli.mn.gov/business/employment-practices/prevailing-wage-information>.

### **Certificates of Compliance**

[Minnesota Statutes 363A.36](#) requires compliance with the Minnesota Department of Human Rights' (MDHR) affirmative action plan requirements. These requirements apply to all political subdivisions, state boards, commissions, authorities, departments or other agencies of the state executive branch,



the Minnesota Historical Society, the Minnesota State Colleges and Universities, and the University of Minnesota for capital projects funded by state general obligation bonds. These affirmative action plan requirements apply to all contracts for goods and services entered into by political subdivisions for contracts exceeding \$250,000 and by all other designated entities for contracts exceeding \$100,000. This requirement applies to capital projects for which the legislature appropriates funds on or after January 1, 2022.

For additional detail regarding these requirements, please contact MDHR-Contract Compliance Division at 651-539-1100 or email Contract Compliance at [compliance.mdhr@state.mn.us](mailto:compliance.mdhr@state.mn.us), or visit MDHR's website at <https://mn.gov/mdhr/certificates/workforce-certificate/>.

### **Equal Pay Certificates**

[Minnesota Statutes 363A.44](#) requires compliance with the equal pay certificate requirements. These requirements apply to all political subdivisions, state boards, commissions, authorities, departments or other agencies of the state executive branch, the Minnesota Historical Society, the Minnesota State Colleges and Universities, and the University of Minnesota, in addition to metropolitan agencies and the Metropolitan Council, for capital projects funded by state general obligation bonds. These equal pay certificate requirements apply to all contracts entered into by political subdivisions for contracts exceeding \$1,000,000 and by all other designated entities for contracts exceeding \$500,000. This requirement applies to capital projects for which the legislature appropriates funds on or after January 1, 2022.

For additional detail regarding these requirements, please contact MDHR-Contract Compliance Division at 651-539-1100 or email Contract Compliance at [compliance.mdhr@state.mn.us](mailto:compliance.mdhr@state.mn.us), or visit MDHR's website at <https://mn.gov/mdhr/certificates/equalpay/>.

## APPENDIX 1 - GLOSSARY OF TERMS

**Agency strategic plan** – A summary of agency goals and objectives for the next six years.

**Building classification system** – A system prescribed in statute (M.S. 16B.31, subd. 6) to classify *“state-owned buildings, with each class representing a different quality of building construction, to be incorporated into the capital budget format and instructions.”*

**Capital Iceberg** – A metaphorical representation of the state’s deferred maintenance needs.

**CAPRA** – Capital asset preservation and replacement account. Under M.S. 16A.632, capital appropriations to the Department of Administration for allocation to state agencies for repair and replacement of various state capital assets. CAPRA projects generally have a cost of \$350,000 or less.

**Cost estimating standards** – An accepted set of rules or basis for assigning estimates of probable cost to proposed facilities.

**Debt capacity** – Six-year estimates of the boundaries of total state capital appropriations, based on the amount of bonds outstanding, the amount of new bonds that must be sold to finance existing authorizations during upcoming biennia, and interest rates.

**General Obligation (G.O.) Bonds** – Bonds issued by the state for capital projects in accordance with the Minnesota Constitution and implementing statutes. Secured by a pledge of the state’s full faith, credit and taxing authority towards payment of the principal and interest on the bonds when due.

**Green Design (Green Building, Sustainable Design, High Performance Buildings)** – Design and construction practices that significantly reduce or eliminate the negative impact of buildings on the environment and occupants that address sustainable site planning; safeguarding water and water efficiency; energy efficiency; conservation of materials and resources; and indoor environmental quality.

**HEAPR** – Higher education asset preservation and replacement account. Under M.S. 135A.046, appropriations to the University of Minnesota and MN State for funding of capital asset preservation, repair and replacement projects.

**Inventory of state building and office space** – An inventory prescribed by statute (M.S. 16B.31, subd. 6) of all *“major state building and office space owned or leased by the state, including a classification system on the condition and suitability of each major building.”*

**Life cycle cost specifications** – Requirements and guidelines for estimating the capital and operating cost of a facility over its defined life.

**Needs Analysis and Planning Process** – The basic steps needed to plan projects and test their feasibility before advancing into design and construction. This includes an estimate of space needs, inventory of existing facilities, calculation of net space requirements, consideration of alternatives and selection of the preferred alternative. Often completed as part of the predesign process.

**Non-building program** – A capital program or request not generally associated with construction or acquisition of a capital facility. Examples include, but are not limited to, construction of roads, bridges, park trails, or land acquisition not related to a specific facility.

**Program (architectural and engineering)** – The nature of the facility to be planned, designed and built, and the corresponding architectural and engineering characteristics that will satisfy these needs and requirements.

**Program (operational)** – The operational function of a facility including services and activities within the facility.

**Program suitability** – The ability of a facility to satisfy its operational program requirements.

**Renewal expenditures** – Expenditures required to keep the physical plant in reliable operating condition for its present use, without programmatic changes. Deferred renewal refers to postponed renewal work resulting in the deterioration of the physical plant.

**Rolling strategic plans** – strategic plans prepared by state agencies that span several biennia, are updated periodically and have a direct impact on both capital and operating budgets.

**Space utilization standards** – An accepted set of rules or basis for relating operational program requirements to proposed facility characteristics.

**Stages (capital project stages)** – a sequential series of predesign, design and construction stages that are typically followed in the development of a building project or building request.

## APPENDIX 2 - BUILDING INFLATION ADJUSTMENTS

### Why Inflate Costs?

Inflation is an essential part of calculating accurate capital budgets. A cost engineer will typically calculate the cost of a building project based on prices available at the time the estimate is prepared. Through the cost planning process, the project is then placed in the assumed future time frame of project implementation. Based on forecasts of future trends in building costs, the project cost estimate is multiplied by an appropriate inflation factor to allow for this time shift.

Building cost inflation does not necessarily follow more general consumer price inflation, nor is it always the same for different trades within the building industry. Building inflation forecasts are typically derived from averaging projections from different construction indices for all building trades and are also influenced by location. "Inflation" is considered synonymous with "escalation" in trade publications.

Failure to account for the length of the project schedule and associated cost of time shift in the budgeting or funding process will result in under-funding a project. This under-funding will translate into an actual loss of project quality, either in materials or ability to satisfy the user space needs.

### How Are Costs Inflated?

Local governments should first determine building project costs based on "today's" present value. Present value is an estimate of the project cost for July 1, 2023. Present value is then inflated to the midpoint of construction based on the project schedule.

The state's capital budget process defines "midpoint of construction" as the date midway between the commencement date and the date of substantial completion. The "date of commencement" is the start of the construction period when construction forces arrive on the project site. "Substantial completion" is when progress of the work is sufficiently complete so the owner can occupy or utilize the work site for its intended purpose.

Midpoint of construction is used to estimate a project inflation rate because it most accurately represents the costs that contractors will use at the time of bid preparation. While it is true that many material costs are committed early in construction (e.g., fabricated steel), other material and labor costs are not locked in and will continue to increase until final completion. Some non-building items such as furniture, fixtures, and equipment may not be procured until the very end of the project.

To find the appropriate inflation cost for a project, identify the month and year closest to the midpoint of construction and enter that date in the appropriate cell in the Project Overview screen in CBS. For reference, a complete **Building Project Inflation Schedule** is provided at the end of this appendix.

## **Which Projects Will Include Inflation?**

Please note that MMB's inflation schedule is developed assuming that the project type is a building. All projects should consider inflation when developing project costs, whether the project uses MMB's inflation schedule or includes its own inflation estimate.

- Inflation will apply to cost components of 2024 and out-year requests as identified on the project cost form, based on the mid-point of construction. Relocation costs are not inflated.
- Appropriations, including construction of single, local, projects should be inflated.

**Building Projects Inflation Schedule**  
(Projected Rates for SFY 2024 – 2030)

Midpoint of Construction	MMB MULTIPLIER	Midpoint of Construction	MMB MULTIPLIER
23-Jul	0.00%	27-Jan	18.37%
23-Aug	0.46%	27-Feb	18.79%
23-Sep	0.92%	27-Mar	19.21%
23-Oct	1.38%	27-Apr	19.63%
23-Nov	1.84%	27-May	20.05%
23-Dec	2.31%	27-Jun	20.48%
24-Jan	2.74%	27-Jul	20.91%
24-Feb	3.17%	27-Aug	21.34%
24-Mar	3.60%	27-Sep	21.77%
24-Apr	4.03%	27-Oct	22.20%
24-May	4.46%	27-Nov	22.63%
24-Jun	4.90%	27-Dec	23.06%
24-Jul	5.34%	28-Jan	23.47%
24-Aug	5.78%	28-Feb	23.88%
24-Sep	6.22%	28-Mar	24.29%
24-Oct	6.66%	28-Apr	24.70%
24-Nov	7.10%	28-May	25.12%
24-Dec	7.55%	28-Jun	25.54%
25-Jan	7.98%	28-Jul	25.96%
25-Feb	8.41%	28-Aug	26.38%
25-Mar	8.84%	28-Sep	26.80%
25-Apr	9.27%	28-Oct	27.22%
25-May	9.70%	28-Nov	27.64%
25-Jun	10.13%	28-Dec	28.07%
25-Jul	10.57%	29-Jan	28.50%
25-Aug	11.01%	Feb-29	28.93%
25-Sep	11.45%	29-Mar	29.36%
25-Oct	11.89%	29-Apr	29.79%
25-Nov	12.33%	29-May	30.22%
25-Dec	12.77%	29-Jun	30.65%
26-Jan	13.19%	29-Jul	31.09%
26-Feb	13.61%	29-Aug	31.53%
26-Mar	14.04%	29-Sep	31.97%
26-Apr	14.47%	29-Oct	32.41%
26-May	14.90%	29-Nov	32.85%
26-Jun	15.33%	29-Dec	33.29%
26-Jul	15.76%	30-Jan	33.73%
26-Aug	16.19%	Feb-30	34.18%
26-Sep	16.63%	30-Mar	34.63%
26-Oct	17.07%	30-Apr	35.08%
26-Nov	17.51%	30-May	35.53%
26-Dec	17.95%	30-Jun	35.98%
		30-Jul	36.43%

## APPENDIX 3 - USE OF GENERAL OBLIGATION BOND PROCEEDS

All requests for state general obligation bonding appropriations must comply with constitutional provisions regarding definitions of eligible capital projects and the proper use of proceeds from the sale of state general obligation bonds.

The Constitution of the State of Minnesota sets parameters regarding what types of debt the state may incur and for which purposes debt may be used. Further, federal tax regulations governing the tax-exemption of the state's bonds place certain use restrictions on property financed with the bonds.

Bonding bills typically provide most financing for capital projects through proceeds from the sale of state general obligation bonds. For projects receiving state bond financing, the requests and subsequent bonding appropriations must comply with constitutional provisions regarding definitions of eligible capital projects and the proper use of state bond proceeds, as well as with federal IRS regulations governing tax-exempt municipal debt.

The Minnesota Constitution sets out the purposes for which the state may incur debt. These provisions apply to the use of proceeds from the sale of state general obligation bonds. See the Legal Information section of MMB's Debt Management website at <https://mn.gov/mmb/debt-management/capital-projects/legal-information/> for certain legal opinions and memoranda interpreting the limits set by the Constitution.

Applicants should be aware that state bond proceeds can only be used for capital projects that meet a public purpose and for facilities owned by public entities. Private parties and non-public organizations, including Indian tribes and the federal government, are not eligible to receive state general obligation bond proceeds and therefore should not request such funding. However, local units of government may submit bonding requests.

While nongovernmental entities can enter into contracts to operate and use state bond financed property in furtherance of a governmental program, those agreements are subject to state law requirements and federal tax law restrictions. For example, if there is too much private use at a state bond financed facility, the state's bonds may be negatively impacted. Any arrangement with a third party must be approved by MMB.

General obligation bonds may only be used for qualified capital expenditures. Eligible costs include land acquisition, predesign, design, construction, major remodeling (if it adds to the value or life of a building and is not of a recurring nature), and other improvements or acquisitions of tangible fixed assets of a capital nature. Fixed assets must have a useful life of at least 10 years.

General operating expenses, general administration, overhead, master planning, depreciation, amortization, maintenance, operating costs, and personal property are not qualified expenses. Equipment is not eligible unless purchased and installed upon initial acquisition and construction of a building, expansion or major remodeling and needed for the governmental program to be operated in the project. Computers, software, and other information technology expenditures may be eligible in certain circumstances. Project-related expenses that are not bond-eligible can be submitted as part of a bonding request, and will require cash appropriations from the General Fund or another state fund.

## APPENDIX 4 - CAPITAL GRANTS AND USE AGREEMENTS

Bonding bills provide funding from state general obligation bond proceeds for land acquisition, construction and improvements to facilities owned by state agencies, public higher education institutions, and political subdivisions of the state. Political subdivisions that are considering a state capital request must be aware of the state constitutional and statutory requirements as summarized in this appendix.

The Minnesota Constitution does not allow for general obligation bond proceeds to be appropriated directly to non-public organizations. The Constitution states that *“Public debt may be contracted and works of internal improvement carried on for the following purposes...” [including] “...to acquire and to better public land 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...”*

Non-public organizations are not eligible to receive state general obligation bond proceeds directly. State general obligation bond proceeds may only be used for projects of this type if the bond proceeds are appropriated to a political subdivision that, in turn, engages the non-public organization to operate a governmental program in the state-financed facility. In this situation, political subdivisions must operate a public program managed by a non-public organization in a facility funded by general obligation bond proceeds and owned by the political subdivision.

Minnesota Statutes 16A.695 establishes requirements for the use of state general obligation bond proceeds by non-public organizations, and it also specifies requirements related to the sale of property financed by state general obligation bond proceeds. As required by the statute, the Commissioner of MMB executed an Order relating to use and sale of state bond financed property on July 14, 1994, which has since been amended. A link to the webpage with the amended Commissioner’s Order appears at the end of this Appendix.

State agencies and political subdivisions that receive appropriations of general obligation bond proceeds to be utilized by non-public organizations, or that expect to sell property that was financed in whole or in part by general obligation bond proceeds, should review the Order in its entirety and consult with their legal advisors about its provisions. Non-public organizations should also review the Commissioner’s Order to understand the requirements that apply to state bond financed capital projects.

The main points contained in the Commissioner’s Order include the following:

- State general obligation bonds can be issued only to finance publicly owned land, buildings or improvements to be used to conduct governmental programs of the state or its political subdivisions.
- “State bond financed property” means property acquired or bettered in whole or in part with the proceeds of state general obligation bonds.
- A use contract between a public agency and a non-public party can be entered into only for the express purpose of carrying out a governmental program established by law and authorized by official action of the contracting public officer or agency.



- The use contract must provide for ongoing program oversight by a public officer or agency, which includes the right of termination, and must be approved by the Commissioner of MMB.
- Certain requirements apply to the sale of state bond-financed property and associated reimbursements to the State of Minnesota.
- There are additional legal requirements that can only be understood by reviewing the Commissioner's Order in its entirety and consulting with agency legal advisors.

Please note that the above information is only a brief and summarized version of the Commissioner's Order. MMB strongly encourages all interested parties to read the complete Order at [https://mn.gov/mmb/assets/fourth-order\\_tcm1059-127605.pdf](https://mn.gov/mmb/assets/fourth-order_tcm1059-127605.pdf) to obtain a full understanding of all applicable requirements.

## APPENDIX 5- STATE ACCOUNTING POLICIES AND PROCEDURES

This appendix relates accounting policies and procedures that apply to processing capital appropriations in SWIFT, the state's accounting system, after the projects have been authorized by the Legislature. Policies reprinted here include instructions to state agencies for processing AMA transactions, documenting compliance with associated matching requirements, proper steps for preparing and receiving approval for use agreements, and grant program funding review requirements.

MMB encourages agencies and grantees to review these policies so that the specific capital budget requirements that will apply to their authorized projects are understood in advance:

0302-01 [Capital Budgets](#)

0308-01 [Moving and Relocation Expense for Capital Projects](#)