2026 Capital Budget Instructions for Local Units of Government

May 2025

Table of Contents

2026 CAPITAL BUDGET DEADLINE DATES FOR LOCAL GOVERNMENTS AND POLITICAL SUBDIVISIONS....1

HOW TO PREPARE A CAPITAL BUDGET REQUEST....2

- Capital Budget Process....2
- Report of Capital Request Documents....3
- Projects Summary....3
- Required Information in CBS....3
- CBS Project Costs Definitions....13
- Examples of Expenses for each Project Cost Category....17
- Capital Budget Requirements....19
  - CBS Statutory Requirements Template and Field Descriptions....19
  - Department of Administration's Role in Capital Budget Requests and Requirements Under 16B & 16C....19
  - Requirements under Minnesota Statutes 16A (MMB)....21
  - Requirements under Minnesota Statutes 473.4485 (Metro Area Transit)....24
  - Other Requirements Not Listed in CBS....24

APPENDIX 1 - GLOSSARY OF TERMS....28

APPENDIX 2 - BUILDING INFLATION ADJUSTMENTS....30

- Why Inflate Costs?....30
- How Are Costs Inflated?....30
- Which Projects Will Include Inflation?....30
- Building Projects Inflation Schedule....32

APPENDIX 3 – USE OF GENERAL OBLIGATION BOND PROCEEDS....33

APPENDIX 4 - CAPITAL GRANTS AND USE AGREEMENTS....34

APPENDIX 5 - STATE ACCOUNTING POLICIES AND PROCEDURES....36

2026 CAPITAL BUDGET DEADLINE DATES FOR LOCAL GOVERNMENTS AND POLITICAL SUBDIVISIONS

Timeline	Capital Budget Item
Early May, 2025	Capital Budget Instructions and Capital Budget System (CBS) User Manual are issued.
June 13, 2025	Deadline for all local government requests to be submitted in CBS. The following screens must be completed: • Project Overview • Funding Sources • Project Costs • Statutory Requirements • Upload Resolutions of Support • Upload Documents, including draft bill language
July 15, 2025	Preliminary agency requests and all requests from local governments are forwarded to the Legislature (without Governor's recommendations).
June - October 2025	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.
October 17, 2025	Deadline for final edits to local government requests to be submitted in CBS. After June 13 and through October 17, edits can be made in CBS after contacting amanda.burckhardt@state.mn.us.
By the first week of December 2025	MMB issues state revenue and debt capacity forecasts.
January 15, 2026	Governor submits his 2026 Strategic Capital Budget to the Legislature.
By the end of May 2026	Legislature adopts and Governor approves the 2026 bonding (capital investment) bill.

HOW TO PREPARE A CAPITAL BUDGET REQUEST

Capital budget requests are submitted through the web-based Capital Budget System (CBS). This chapter provides "how-to" instructions to guide applicants through completion of the CBS screens. Specific instructions are provided for each screen.

Please note that there is a new process for local units of government to access CBS.

CBS now uses LoginMN for account management and security. To request access to CBS, government staff must create a LoginMN account, using a work email address, and set up security requirements prior to submitting the online CBS local user authorization request.

Read the How Local Governments Access CBS guide for specific instructions.

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 CBS.

Please direct questions on capital budget policies, the process, schedule, or related requirements to Amanda Burckhardt, Capital Budget Outreach and Analysis Specialist, at 651-201-8078 or amanda.burckhardt@state.mn.us.

For questions about system access or if you experience technical issues, please contact budget.finance.mmb@state.mn.us.

Capital Budget Process

The capital budget request process is guided by the Governor's office and managed by Minnesota Management and Budget (MMB). MMB ensures that capital budget requests are prepared in a consistent way. This consistency helps MMB, the Department of Administration, other state agencies, the Governor, and the Legislature review and analyze capital budget proposals in an organized way.

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 used to enter all project narratives and numbers. Only requests submitted in the system will be considered for inclusion in the 2026 Governor's Capital Budget Recommendations. 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.

Report of Capital Request Documents

When presented to the Legislature and posted to the MMB website on July 15, 2025, and January 15, 2026, 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 2026-2031 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: 2026, 2028, and 2030.

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 2026 also has future phases, distinct multi-year commitments, or funding "tails" that will require additional authorizations in the future (2028 and 2030), 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 the "Capital Budget Request Form for Local Units of Government" 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: Required for June Deadline	State Agency: Required for June Deadline	State Agency: Required for Oct. Deadline	Notes
Project Rank	Each project must be assigned a rank based on the entity's priority order, as required by M.S. 16A.11, subd. 3a.	X	X	X	-
Facility/Campus	For state agencies with multiple campuses or facilities, select the applicable campus or facility.	N.A.	X*	X*	-
City	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.
County	County will automatically populate.	X	X	X	-
Zip Code	Enter zip code.	X	X	X	-
Contact Name	Enter project contact name.	X	X	X	-
Contact Title	Enter project title.	X	X	X	-
Contact Phone	Enter project phone number.	X	X	X	-
Contact Email	Enter project contact email	X	X	X	The Contact email is also used for system-generated email notifications when the request is submitted.

Field	Field Description	Local Units of Government Required for June Deadline	State Agency: Required for June Deadline	State Agency: Required for Oct. Deadline	Notes
Project Summary	Summarize the request in two sentences. Example: "*$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.*"	X	X	X	-
Project Description	Describe the project in detail, including scope, total cost, key funding sources, etc.	X	X	X	-
Project Rationale	Why is this project needed? Justify this request.	X	X	X	-
Project Timeline	Describe the sequence of the project by month/year (predesign, engineering, design, construction etc.). Summarize other influencing factors or interactions (ex: coordinating the request with other projects).	X	X	X	-
Other Considerations	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.
Who will operate the project?	-	X	X	X	-
Who will use or occupy the project?	Who will be using the facility? Will it be leased?	X	X	X	-

Field	Field Description	Local Units of Government Required for June Deadline	State Agency: Required for June Deadline	State Agency: Required for Oct. Deadline	Notes
Public Purpose	Describe the public purpose served by this project.	X	N.A.	N.A.	This field is specifically required for local projects.
Impact on Operating Budgets (state agencies) *OR* **Impact on State Operating Subsidies (local units of gov't)**	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 M.S. 16A.11, subd.5. This section provides a brief narrative. Corresponding annual costs are identified on the Project Costs screen.
Anticipated Encumbrance Date	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	-
Anticipated End Date	When will the project be completed? If applicable, when will the certificate of occupancy be issued?	X	-	X	-
Project Phase	If the project is phased, note the phase this request will fund.	X*	X*	X*	-

Field	Field Description	Local Units of Government Required for June Deadline	State Agency: Required for June Deadline	State Agency: Required for Oct. Deadline	Notes
Description of Previous State Appropriations	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.
Statutory Program Citation	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.
Project Type	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	-
Facility Condition Index	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*	-

Field	Field Description	Local Units of Government Required for June Deadline	State Agency: Required for June Deadline	State Agency: Required for Oct. Deadline	Notes
Resolutions	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 M.S. 16A.86, subd. 3a (6).

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

Field	Field Description	Local Units of Government Required for June Deadline	State Agency: Required for June Deadline	State Agency: Required for Oct. Deadline	Notes
State Funds Requested and Prior Year State Appropriations	Enter the amount requested each year for GO bonds or other state sources. Request year 2026 amounts are for the project or project phase requested in the 2026 legislative session. Also include any prior year state appropriations that have been made for the project.	X	N.A.	N.A.	The request amount will be published in July and in January. For state agency asset preservation and grant programs, enter the 2026 request amount in 2028 and 2030 for planning estimates. 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).

Field	Field Description	Local Units of Government Required for June Deadline	State Agency: Required for June Deadline	State Agency: Required for Oct. Deadline	Notes
State Funds Pending	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.	-
Non-State Funds Already Committed to the Project	Enter any non-state committed matching funds for the project, such as funds spent (enter in prior years), or funds committed to the project (enter in 2026 for the current request, or in 2028/2030 for future phases).	X	-	X*	-
Non-State Funds Pending	Enter any non-state pending matching funds for the project (enter in 2026 for the current request, or in 2028/2030 for future phases).	X*	-	X*	-
Comments on Prior Year Funding	Comments or additional information about funding from previous years.	-	-	-	Optional
Comments on Funding Request	Comments or additional information about the project.	-	-	-	Optional
Additional Comments on Sources of Funds	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 Required for June Deadline	State Agency: Required for June Deadline	State Agency: Required for Oct. Deadline	Notes
Project Costs Direction	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.
Costs less Funding	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.
Anticipated Mid-Point of Construction	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 occupancy. The date entered will trigger a system calculated inflation factor that will be applied to the total project cost.	X*	-	X*	State agencies should not enter a date for asset preservation or grant programs, 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.
Inflation Checkbox	Local units of government select this checkbox if inflation is already included in project costs. If selected, then do not enter a midpoint of construction.	X*	N.A.	N.A.	-

Field	Field Description	Local Units of Government Required for June Deadline	State Agency: Required for June Deadline	State Agency: Required for Oct. Deadline	Notes
Comments on Project Costs	Comments or additional information about project costs.	-	-	-	Optional
IT Costs	If the project will result in an increase in IT operating costs, please include the amount per year here.	N.A.	-	X*	-
Operating Budget Impact ($)	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 2026 amount represents the total state operating impact in state fiscal year 2027. If the amount changes from year to year, please note in the Impact on Operating Budgets field on the Project Overview screen.
Operating Budget Impact (FTE)	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*	-
System Calculated Contingency	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.

Field	Field Description	Local Units of Government Required for June Deadline	State Agency: Required for June Deadline	State Agency: Required for Oct. Deadline	Notes
Contingency Included in Request	If you included contingency in your project costs, enter that amount.	X*	-	X*	State agencies should not include
Contingency Difference	Auto calculated difference between System Calculated Contingency and Contingency Included in Request.	Auto calculated	Auto calculated	Auto calculated	-
Comments on Contingency	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, 2025 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 bond-eligible 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. Note that predesign is a site-specific project development phase and not planning, which is not a bond-eligible expense.

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.

Percent for Art: M.S. 16B.35 allows an appropriation over $500,000 for new construction or major renovation *to* include up to one percent for the acquisition of works of art for the public spaces of the building or its grounds. The State Arts Board manages the procurement of the artwork. 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 bond-eligible 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 contact 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: 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. 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.

- *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.** Please see Appendix 3 for information on what qualifies as a bond-eligible expense.

Project Cost Category	Examples of Expenses
1. Property Acquisition Land, Land Easements, Options Land and Buildings	Acquisition Costs Appraisal Fees Building Surveys (condition and space) Demolitions/Stabilization Land Surveys Utility Connection Fees Hazardous Materials Surveys Geotechnical Investigations Environmental Impact Historic Preservation Requirements
2. Predesign Fees	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
3. Design Fees Schematic Design Development Contract Documents Construction Administration	Architectural/Engineering Fees and Reimbursables Special Consultants (food service, acoustics, code, signs/ graphics, etc.)
4. Project Management State Staff Project Management Non-State Project Management Commissioning	Internal Staff Costs (state/agency/campus) 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

5. Construction Costs 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 Soil and Material Testing Construction Contingency
6. One Percent for Art	Construction costs only
7. Relocation (Not Bond-eligible Costs)	Temporary Relocation (swing space) Permanent Relocation Moving Consultants/Contractors Ground-breaking, Open House/Dedication
8. Occupancy (Not all Bond-Eligible Costs) Furniture, Fixtures and Equipment Telecommunications (voice & data) Security Equipment	Movable Furnishing, 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) Keying and Security Programming Occupancy Permit Custodial Equipment Final Cleaning

Capital Budget Requirements

This screen identifies state law requirements that apply to capital projects *after* a project is authorized by the Legislature.

CBS Statutory Requirements Template and Field Descriptions

Users must review and agree to meet the applicable capital requirements listed on the "Statutory Requirements" screen in CBS and in the "Capital Budget Requirements" section of the MMB Capital Budget Instruction documents.

Users must then check Yes, No, or N.A. for all statutory requirements listed on the screen.

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 Amanda Burckhardt, Capital Budget Outreach and Analysis Specialist, at 651-201-8078 or amanda.burckhardt@state.mn.us.

Department of Administration's Role in Capital Budget Requests and Requirements Under 16B & 16C

The Department of Administration plays a key role in the capital budget process with authority over facility planning, predesigns, design and construction contracts for capital projects. The Department also works closely with agencies to incorporate Sustainable Building Guidelines and helps identify and coordinate consultation with MNIT, the State Historical Preservation Office (SHPO) and other state entities when needed.

The Department of Administration is responsible for supervision and control of all contracts for the construction of buildings and for other capital improvements to state buildings and structures. The Department also selects the appropriate project delivery method for a construction project. Minnesota State Colleges and Universities (MN State) and the University of Minnesota maintain their own authority for design and construction of their facilities.

Preparing for a Capital Budget Request. Agencies and political subdivisions are best served to consult with the Department of Administration at key points in the facilities planning and predesign process before submitting a capital budget request. Engaging early helps ensure that requests are well-developed, aligned with state requirements, and positioned for successful legislative consideration.

Early Consultation. Before initiating a capital budget request, agencies and political subdivisions should schedule a consultation with the Department of Administration to discuss their facility needs, project scope, and alignment with state policies. Early engagement can answer basic questions regarding:

- Expected scope, timelines and phases of a capital project
- Eligibility of project costs under capital bonding guidelines
- Sustainable Building Guidelines (B3) and their inclusion the project's design and budget
- Understanding project funding strategies
- Ensuring compliance with legislative and technical requirements.

Coordinated Facility Planning (For Select Agencies)

- Agencies with offices outside the Twin Cities metropolitan area—including the Departments of Health, Agriculture, and Natural Resources, the Pollution Control Agency, and the Board of Water and Soil Resources—must submit facility consolidation or construction proposals as part of a coordinated planning process.
- The Department of Administration will review and provide feedback before these projects are included in budget documents submitted to the Legislature.

Requirements Listed in CBS:

1. **Legislative Requirements Related to Capital Projects**
   - **Legislative Authority.** A state agency generally cannot undertake capital improvements without specific legislative authorization. Some exceptions apply for minor or asset preservation projects.
   - **Legislative Approval and Notice:** Before initiating design activities, projects must comply with M.S. 16B.335, subd. 1 and 2. These provisions govern the preparation of design documents, their review process, and the required notifications to the chairs of legislative committees before the development of construction documents.
2. **Predesign Preparations.** For most capital projects, recipients of state appropriations are required to complete a predesign before proceeding with design and construction. M.S. 16B.335, subd. 1, 2 and 3.
   - **Administration Reviews Predesign.** The Department of Administration is required to review and recommend predesigns before design activities commence. The Department must complete its review and provide a recommendation within ten working days of receiving a complete submittal, as mandated by M.S. 16B.335, subd. 3.
   - **Predesign Manual and Template.** The Department of Administration maintains a Predesign Manual and Template found on its public website. The Predesign Manual for Capital Budget Projects is regularly updated and outlines project predesign requirements.
   - **Predesign Questions.** Please direct any questions on the predesign process and manual to Eric Radel in RECS at (651) 201-2380 or eric.radel@state.mn.us. Additional information can be found on the RECS guidelines website.
3. **& 4. Sustainable Building Guidelines**

- **Applicability.** The Sustainable Building Guidelines are mandatory for projects receiving funding from bond proceeds. This applies to both new buildings and major renovations. M.S. 16B.325. Both agencies and local government grantees must follow the guidelines.

- The Sustainable Building Guidelines (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.

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.

By early consultation and a thorough predesign strategy, agencies and political subdivisions can strengthen their capital requests, ensure compliance with state funding guidelines, and improve their chances of receiving legislative support. The Department of Administration is available to support agencies and political subdivisions through this process and help develop well-planned, successful proposals.

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 or fiscal agent 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 public owner is considering selling the capital asset or facility, the public owner 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. 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... Non-state funding may include federal, local, and private funds.

Specific questions regarding matching requirements should be forwarded to the Capital Bonding Coordinator, Roger.Behrens@state.mn.us.

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.

5. Project Cancellations in 2031

M.S. 16A.642 requires the Commissioner of Minnesota Management and Budget to report to the Legislature by February 1 of each year regarding unencumbered or unspent balances of capital appropriations enacted more than four years prior to January 1 of that year. 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 2026 bonding bill with

unencumbered balances to the Legislature by February 1, 2031. All funding from the 2026 bonding bill that has not been contractually obligated or expended prior to that date will be cancelled on July 1, 2031, unless it is re-appropriated by the Legislature. To avoid having a project included in the 2031 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.

Other Requirements Not Listed in CBS

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), including the Board of Regents of the University of Minnesota, 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 archaeological properties.

When to consult SHPO

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

> *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, including the Board of Regents of the University of Minnesota, 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 Registers of Historic Places or properties listed in the State Historic Sites Network, 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. 9 requires the state archaeologist and Indian Affairs Council to coordinate their responsibilities under this section. The Department of Natural Resources, the Department of Transportation, and all other state agencies and local units of government whose activities may be affected, shall cooperate with the state archaeologist and the Indian Affairs Council to carry out the provisions of this section.

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 before plans are finalized and prior to any disturbance within the burial area. If the known or suspected burials are thought to be American Indian, plans shall also be submitted to the Indian Affairs Council. The state archaeologist and the Indian Affairs Council shall review the plans within 45 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 that have the potential to affect historic or archaeological properties, to avoid additional 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 or contact the specialist listed below.

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 Specialist, at (651) 201-3285 or 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. Please note that the Office has 30 days to review a project, or 45 days if the project involves a cemetery or burial.

Questions regarding the OSA review process and timeline should be directed to Jennifer Tworzyanski, Assistant to the State Archaeologist, at (651) 201-2265 or 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. Please note MIAC has 30 days to respond to reviews under the Field Archaeology Act and 45 days to respond under the Private Cemeteries Act.

Additional Requirements

Prevailing Wage

When applicable by law, state agencies and grantees must comply with prevailing wage requirements for construction or public work projects funded in whole or in part by state funds. Prevailing wage is the minimum hourly wage employers must pay certain workers who work on state-funded construction projects and other projects covered by law, unless an exception applies. Additional information is provided on the Department of Labor and Industry website: https://www.dli.mn.gov/business/employment-practices/prevailing-wage-information.

Workforce 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, 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 execute 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, 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."*

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?

Agencies and political subdivisions should first determine building project costs based on “today’s” present value. Present value is an estimate of the project cost for July 1, 2025. 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 2026 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 2026 – 2030)

Mid-Point of Construction	MMB Multiplier
July 2025	0.00%
August 2025	0.50%
September 2025	0.99%
October 2025	1.61%
November 2025	2.01%
December 2025	2.20%
January 2026	2.55%
February 2026	2.94%
March 2026	3.38%
April 2026	3.75%
May 2026	4.15%
June 2026	4.60%
July 2026	4.98%
August 2026	5.39%
September 2026	5.84%
October 2026	6.33%
November 2026	6.78%
December 2026	7.21%
January 2027	7.63%
February 2027	8.06%
March 2027	8.49%
April 2027	8.91%
May 2027	9.35%
June 2027	9.82%
July 2027	10.28%
August 2027	10.73%
September 2027	11.19%
October 2027	11.64%
November 2027	12.11%
December 2027	12.59%

Mid-Point of Construction	MMB Multiplier
January 2028	13.06%
February 2028	13.53%
March 2028	14.01%
April 2028	14.49%
May 2028	14.99%
June 2028	15.52%
July 2028	16.00%
August 2028	16.50%
September 2028	17.01%
October 2028	17.52%
November 2028	18.04%
December 2028	18.56%
January 2029	19.08%
February 2029	19.59%
March 2029	20.12%
April 2029	20.63%
May 2029	21.16%
June 2029	21.69%
July 2029	22.22%
August 2029	22.75%
September 2029	23.29%
October 2029	23.83%
November 2029	24.37%
December 2029	24.91%
January 2030	25.45%
February 2030	25.99%
March 2030	26.54%
April 2030	27.09%
May 2030	27.63%
June 2030	28.18%
July 2030	28.73%
August 2030	29.28%
September 2030	29.83%

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. Some 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 through a use agreement that complies with the GO Compliance Checklist for Use Contracts found on this link: https://mn.gov/mmb/assets/Checklist-for-Use-Agreements_tcm1059-126882.pdf.

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. See the Commissioner's Order at https://mn.gov/mmb/assets/fourth-order_tcm1059-127605.pdf, and the GO Sale of Bond-Financed Checklist at https://mn.gov/mmb/assets/Checklist-for-Sale-of-GO-Property_tcm1059-126880.pdf.

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.

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/debt-management/capital-projects/legal-information/ and consult with agency legal advisors to fully understand all applicable requirements.

APPENDIX 5 - STATE ACCOUNTING POLICIES AND PROCEDURES

This appendix relates accounting policies and procedures that apply to processing capital appropriations in the state accounting system, SWIFT, after the projects have been authorized by the Legislature. Policies reprinted here include instructions to state agencies for processing appropriation (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