Memo
Date: May 10, 2021

To: Officials of Local Governments and Political Subdivisions

From: Jim Schowalter, Commissioner

RE: 2022 Capital Budget Instructions

I am pleased to present the 2022 capital budget instructions. All local unit of government and political subdivision capital project requests are due to Minnesota Management and Budget (MMB) through the Capital Budget System (CBS) by June 18, 2021. Prosperity and opportunity for all people in all parts of our state stems from the well-being of their community. While communities across Minnesota may look different, many share the same goals and face the same challenges. Governor Walz’s capital budget will continue to focus resources on the most critical projects and strategic investments across the state and give local leaders tools they need to succeed, with particular focus on projects that:

- Address life and safety issues
- Preserve existing infrastructure and repair existing facilities before starting new projects
- Provide at least a 50% local match
- Are proposed following community engagement
- Have a local resolution of support from the governing body
- Integrate climate preparedness and/or clean energy
- Address and undo historical and systemic disparities and inequities, including those based on race, gender, veterans’ status, geography, and economic status

Key dates

- **June 18, 2021** – All local unit of government requests are due to MMB through CBS.
- **July 15, 2021** – MMB submits all local unit of government requests and state agency preliminary requests to the Legislature.
- **October 15, 2021** – Final edits to local government requests are due to MMB through CBS.
- **January 17, 2022** – Governor Walz submits his 2022 capital budget to the Legislature and MMB publishes all local unit of government and state agency requests.
How to submit your 2022 capital budget

- Access and review the capital budget instructions on MMB’s Capital Budget Instructions website. Here you will find answers to frequently asked questions (FAQs) about bonding, as well as local unit of government-specific 2022 Capital Budget Instructions for entering requests into CBS. The instructions website also includes information about allowable uses of general obligation bond proceeds and guidance on capital grants and use agreements.
- Get access to the Capital Budget System if that is not already complete (see the “System Access” section of the CBS website).
- Review CBS training materials, including the User Guide and the new CBS training videos (see the “System Training Materials” section of the CBS website).

New in 2022

- Local governments should submit draft bill language for their requests using the Upload Documents screen in CBS June 18, 2021.
- New training videos for entering 2022 capital budget requests are included on the Capital Budget System website, which walk through each screen in detail.
- MMB will host a Q&A session for local governments on May 27 at 1 p.m. The session is designed to answer questions brought by local governments, after they have reviewed the 2022 capital budget instructions, the FAQ website, and CBS training materials, including the training videos. MMB will send a meeting invitation to CBS users.
- This year, when a request is preliminary-submitted or final-submitted, a CBS system-generated confirmation email will be sent to all CBS users for that project’s entity and to the project contact.
- The Minnesota Department of Human Rights’ affirmative action plan requirements (Certificates of Compliance) and equal pay certificate requirements (Equal Pay Certificates) will apply to 2022 capital budget projects, for both local government and state agency contracts of a certain amount. See the 2022 capital budget instructions for more information.

Reminders

Local units of government may choose to copy a previous year’s project request narrative into 2022 by using the ‘Copy Previous Requests’ function in CBS. As with all 2022 requests, project costs must be entered in July 2021 dollars. If a project from 2020 is copied over into 2022, you can escalate project costs by:

1. Going back to the 2020 project costs before inflation is included, which are in July 2019 dollars.
2. Adding 6% to those project costs, which brings amounts to July 2021 dollars.

Local units of government should either (A) enter a mid-point of construction date in the Project Overview screen of CBS to add system-generated inflation, or (B) include inflation in the project costs and select the ‘Inflation Already Included’ checkbox on the Project Overview screen. Updated construction inflation factor estimates are presented in Appendix 2 of the
Do not use the capital budget request process for requests for assistance that could be funded through a state agency financial assistance program. If your request could be funded by an existing state grant program (such as local bridge or road repair, infrastructure redevelopment, flood mitigation, water/wastewater treatment systems, historic preservation, or trails), you should submit your request directly to the state agency that administers the relevant grant program.

Capital projects funded from state general obligation bonds must comply with the Minnesota Constitution, which limits funding to projects that are publicly owned and provide a public purpose, and applicable federal tax law. All project requests must come from a political subdivision. Private individuals, businesses, and nonprofit organizations are not eligible to receive state general obligation bond financing.

Applicants should be aware that bond proceeds may only be used for qualified capital expenditures, such as predesign/design expenses, construction, and acquisition or improvement of specific tangible long-lived fixed assets. General operating expenses such as services, programs, strategic planning, master planning, and moving and relocation costs are not bond-eligible expenses. Expenses that are not bond-eligible can be submitted as part of your request, but if you desire state monies to pay for those expenses, you will need to request cash appropriations from the general fund or other state fund.

By law, state funding for local projects is limited to no more than 50% of total capital project costs. Projects that are considered for state funding should come with substantial financial commitments from the local government. Because competition for limited state resources will be very strong, MMB encourages local governments to be selective in their requests and propose only the most important project(s) with clear regional or statewide significance.

Questions?
If you have questions about the capital budget process, requirements, or due dates, please contact MMB’s Capital Budget Coordinator, Marianne Conboy (Marianne.Conboy@state.mn.us or 651-201-8189).

If you have questions about CBS, including system access and system issues, please contact MMB Budget Operations (Budget.Finance.MMB@state.mn.us).

Governor Walz and MMB appreciate your dedication in preparing timely and thoughtful requests. We look forward to discussing your projects.