Date: May 1, 2025
To: Officials of Local Governments and Political Subdivisions
From: Erin Campbell, Commissioner EC

RE: 2026 Capital Budget Instructions

I am pleased to present the 2026 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 13, 2025, and final edits are due October 17, 2025. The well-being of all Minnesotans is supported by healthy and thriving communities. 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
- Are proposed following community engagement
- Aid in making Minnesota the best state in the country for kids to grow up
- Address and undo historical and systemic disparities and inequities, including those based on race, gender, veterans' status, geography, and economic status
- Provide at least a 50% local match
- Have a local resolution of support from the governing body
- Integrate climate preparedness and/or clean energy

The Legislature may enact a capital investment bill in the 2025 Legislative Session, and this will impact available resources for the Governor's 2026 Capital Budget. Please be mindful of 2025 session impacts as you prepare requests for 2026.

Key Dates

Dates	Deadline
June 13, 2025	All local unit of government requests are due to MMB through CBS.
July 15, 2025	MMB submits all local unit of government requests and preliminary state agency requests to the Legislature.
October 17, 2025	Final edits to local government requests are due to MMB. After June 15th, send any edits or updates to MMB's Capital Budget Outreach & Analysis Specialist, Amanda.Burckhardt@state.mn.us

January 15, 2026	Governor Walz submits his 2026 Capital Budget Recommendations to the Legislature and MMB publishes all requests.

How to Submit Your 2026 Capital Budget Request

- Review the local government-specific 2026 Capital Budget Instructions posted on MMB's capital budget instructions webpage: https://mn.gov/mmb/budget/budget-instructions/capbud/. The website has been updated to improve the user experience. Local Governments should navigate to the "Local Governments" webpage to find all the documents needed for capital budget resources for local governments. The website also includes answers to frequently asked questions about bonding including allowable uses of general obligation bond proceeds.
- Review CBS training materials, including the User Guide and CBS training videos, on the "System Training Materials" section of MMB's CBS website for details about how to use the system.

New in 2026

- Local government staff will need to create and use a LoginMN account to access the Capital Budget System (CBS). Previous CBS users will be emailed instructions about how to create a LoginMN account, as legacy accounts will no longer be active. Instructions will also be posted on MMB's capital budget instructions webpage.
- MMB has published a new resource called "Process Steps for Local Governments Capital Requests" that summarizes the capital budget process from submitting projects to enacting a bill. This resource is available on the instructions website.

Reminders

Local governments should submit draft bill language for their requests using the "Upload Documents" screen in CBS by October 17.

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.

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. A 50% non-state match from local governments is normally required. Separately, full funding must be in place in order for state funds to be released for a capital project.

Updating a Previous Request

Local governments may choose to copy a previous year's project request narrative by using the "Copy Previous Requests" function in CBS. As with all 2026 requests, project costs must be entered in July 2025 dollars to use MMB's inflation schedule to add inflation costs. If a project from the 2025 capital budget is copied over into 2026, you can escalate project costs by:

- Identifying the 2025 project costs before inflation is included, which are in July 2024 dollars.
- Adding 3.7% to those project costs, which brings amounts to July 2025 dollars.
- Local governments should either enter a mid-point of construction date in the Project Overview screen of CBS to add system-generated inflation or 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 2024 Local Unit of Government Capital Budget Instructions, based on various mid-point of construction dates.

Questions

If you have questions about the capital budget process, requirements, or due dates, please contact MMB's Capital Budget Outreach & Analysis Specialist, Amanda Burckhardt, Amanda.Burckhardt@state.mn.us.

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.