




## Memo

Date: May 15, 2023

To: Officials of Local Governments and Political Subdivisions

From: Jim Schowalter, Commissioner 

RE: **2024 Capital Budget Instructions**

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I am pleased to present the 2024 Capital Budget Instructions. All local unit of government and political subdivision capital project requests are due to Minnesota Management and Budget (MMB) through CBS by June 16, 2023, and final edits are due October 13, 2023. 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
- Aid in making Minnesota the best state in the country for kids to grow up
- 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 16, 2023** – All local unit of government requests are due to MMB through CBS.
- **July 17, 2023** – MMB submits all local unit of government requests and state agency preliminary requests to the Legislature.
- **October 13, 2023** – Final edits to local government requests are due to MMB.
  - Note: After June 16, send any edits or updates to MMB's Capital Budget Coordinator, [Marianne.Conboy@state.mn.us](mailto:Marianne.Conboy@state.mn.us).
- **January 16, 2024** – Governor Walz submits his 2024 Capital Budget Recommendations to the Legislature and MMB publishes all requests.

## How to Submit Your 2024 Capital Budget Request

- Review the local government-specific Capital Budget Instructions posted on [MMB's Capital Budget Instructions website](#). The website also includes answers to frequently asked questions about bonding including allowable uses of general obligation bond proceeds.
- Check your local government's access to the Capital Budget System (CBS). If you have not yet verified access to CBS, email [Budget.Finance.mmb@state.mn.us](mailto:Budget.Finance.mmb@state.mn.us).
- Review CBS training materials, including the User Guide and the new CBS training video, on the ["System Training Materials" section of MMB's CBS website](#) for details about how to use the system.

## New in 2024

- A new "Capital Request Form" (PDF) is available on [MMB's Capital Budget Instructions website](#) to provide users the option to work on narratives and other information offline, before entry in CBS.
- MMB will host a Q&A session for local governments on **May 31 at 1 p.m.** The session is designed to answer questions brought by local governments, after they have reviewed the 2024 Capital Budget Instructions, the [FAQ website](#), and CBS training materials, including the training video. MMB will send a meeting invitation to CBS users.
- Local governments that submit water infrastructure projects may be contacted for additional information about their project, in coordination with the Public Facilities Authority.

## Reminders

Local governments should submit draft bill language for their requests using the "Upload Documents" screen in CBS by June 16.

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 2024 requests, project costs must be entered in July 2023 dollars to use MMB's inflation schedule to add inflation costs. If a project from 2022 is copied over into 2024, you can escalate project costs by:

- Identifying the 2022 project costs before inflation is included, which are in July 2021 dollars.
- Adding 17% to those project costs, which brings amounts to July 2023 dollars.
- Local units of government 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.

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.

## **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](mailto: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](mailto: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.