



Date: March 18, 2024

To: Senator John Marty, Chair, Finance Committee
Senator Sandra L. Pappas, Chair, Capital Investment Committee
Representative Liz Olson, Chair, Ways and Means
Representative Fue Lee, Chair, Capital Investment Committee

From: Erin Campbell, Commissioner, Minnesota Management and Budget *EC*

Subject: Update to 2024 Governor's Capital Budget Recommendations

The purpose of this letter is to officially transmit an update to Governor Walz's 2024 capital budget recommendations, which were originally released on January 16, 2024. The annual impact is shown in the table below, which has been updated to reflect the February 2024 Forecast and to make the revisions described below.

The Governor's revised capital budget recommendations maintain general obligation (GO) bonds at \$830 million and increase general fund cash by \$6.558 million to \$34.558 million total. Trunk highway fund cash is maintained at \$74.45 million and appropriation bonds are maintained at \$50 million. As a result of the February Forecast, GO bond debt service for the Governor's recommendations decreased by \$2.439 million in FY2024-25 and decreased by \$18.992 million in FY2026-27. These impacts are shown in the table below.

1. Increase to Local Government Roads Wetlands Replacement Program

The Governor recommends an additional \$10 million – \$8.558 million in general fund cash and \$1.442 million in GO bonds – to the Minnesota Board of Water and Soil Resources for the Local Government Roads Wetlands Replacement Program to support replacing wetlands drained or filled by local government road construction projects with wetlands elsewhere in the state, bringing the total to \$14.5 million. Funding for this program helps ensure that local road construction projects can proceed as planned.

2. Department of Military Affairs Projects Removed and Added

To reflect the Department of Military Affairs' updated priorities for the 2024 legislative session, the Renovation of the Hibbing Readiness Center project for \$4.187 million and the Addition and Renovation of the Bloomington Readiness Center project for \$255 thousand in GO bonds are removed from the Governor's recommendations. The Governor recommends adding a new Duluth Hangar Design project for \$3 million in GO bonds.

3. Minnesota Pollution Control Agency Project Moved to Supplemental Recommendations

To reflect the Clean Water Council's supplemental recommendations for FY 2024-2025, the Minnesota Pollution Control Agency's Continuous Nitrate Sensor Network project for \$2 million in

general fund cash is moved to the Governor’s supplemental budget with a \$2 million recommendation from the clean water fund.

The Governor’s 2024 original and revised capital budget recommendations, by fund, are outlined below:

Governor's Recommendations <i>(Amounts in thousands)</i>	Original	Revised	Change
General Obligation Bonds	819,389	819,389	0
GO Bonds-Minnesota State User Financing	10,611	10,611	0
General Fund Cash	28,000	34,558	6,558
Trunk Highway Cash	74,450	74,450	0
Appropriation Bonds	50,000	50,000	0
All Funds Total	982,450	989,008	6,558

The Governor’s 2024 capital budget recommendations result in the following general fund and trunk highway fund impacts, for debt service and cash:

Funding Source <i>(Amounts in thousands)</i>	Original January 2024		Revised March 2024		Change	
	FY24-25	FY26-27	FY24-25	FY26-27	FY24-25	FY26-27
GO Bond Debt Service	(181)	(1,371)	(2,620)	(20,363)	(2,439)	(18,992)
General Fund Cash	28,000	-	34,558	-	6,558	-
AP Bond Debt Service	-	1,000	-	1,000	-	-
Total General Fund Impact	27,819	(371)	31,938	(19,363)	4,119	(18,992)
Trunk Highway Cash	74,450	-	74,450	-	-	-
Total Trunk Highway Fund Impact	74,450	-	74,450	-	-	-

Note: The November 2023 Forecast assumed an \$830 million GO bond bill and the February 2024 Forecast assumes a \$980 million GO bond bill passing in the 2024 session based upon an updated debt capacity forecast. The Governor’s revised recommendations maintain \$830 million in general obligation bonds, resulting in increased ongoing savings.

A complete listing of projects in the Governor’s revised 2024 capital budget recommendations is posted on MMB’s website: <https://mn.gov/mmb/budget/capital-budget/current/>.

Should you have any questions about these revised recommendations, please contact MMB’s Capital Budget Coordinator at Marianne.Conboy@state.mn.us or 651-201-8189.

cc:

Rep. Melissa Hortman, Speaker of the House
 Sen. Erin P. Murphy, Majority Leader
 Rep. Lisa Demuth, Minority Leader
 Sen. Mark T. Johnson, Minority Leader
 Rep. Dean Urdahl, Ranking Minority Member, Capital Investment
 Sen. Karin Housley, Ranking Minority Member, Capital Investment

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John Jaschke, Executive Director, Minnesota Board of Water and Soil Resources
Major General Shawn Manke, Department of Military Affairs
Katrina Kessler, Commissioner, Commissioner, Minnesota Pollution Control Agency