

**Date:** November 3, 2014

**To:** Agency Heads  
Agency Accounting Coordinators

**From:** James Schowalter, Commissioner 

**Subject:** “After the Bonding Bill” – The Next Steps

This memo gives an overview of key constitutional, statutory and other legal and administrative requirements regarding how state agency recipients of state capital appropriations may spend the bonding appropriations in Laws 2014, chapter 294.

This memo is not an exhaustive reference to all requirements. It summarizes the most noteworthy items and identifies resources for additional information. Agencies should consult with their financial and legal advisors regarding these and other requirements.

In response to expanded scrutiny by the [Tax Exempt Bonds division](#) of the IRS on post-issuance compliance matters through audits and questionnaires, MMB maintains [Tax Compliance Policies and Procedures](#) relating to its tax-exempt bonds and other tax-exempt obligations to ensure that the interest on these obligations remains tax-exempt.

State agencies play a critical role in helping MMB comply with these policies and procedures. Please review section B below and let Jennifer Hassemmer, Capital Bonding Coordinator, [jennifer.hassemmer@state.mn.us](mailto:jennifer.hassemmer@state.mn.us), (651) 201-8079, or Kristin Hanson, Assistant Commissioner for Debt Management, [kristin.hanson@state.mn.us](mailto:kristin.hanson@state.mn.us), (651) 201-8030, know if you have any questions.

### ***Important Changes***

#### **A. MMB Oversight of Match Requirements and Full Funding of Capital Projects**

In its 2014 audit on General Obligation Bond Expenditures, the Office of the Legislative Auditor (“OLA”) continued to focus on the requirements imposed on MMB by Minn. Stat. Sec. 16A.502, as discussed in greater detail in section 3 below.

State agencies are required to submit sufficient documentation to MMB showing that all funds needed to complete a project, including any required match, are legally committed to the project. This documentation allows MMB to determine, for capital projects where the state appropriation or grant is insufficient by itself to complete the project, whether the funding from other sources is sufficient to complete the project.

Starting this year, MMB identified: (1) specifically earmarked projects in the bonding bill requiring a match; (2) specifically earmarked projects in the bonding bill that did not receive an appropriation for the full amount of their request; and (3) state agency-administered grant programs where the terms of the program require the grantee to provide matching funds. These appropriations were all placed on hold until the state agency can provide MMB with sufficient documentation showing all required funding has been secured. After the agency reviews the information collected from the grantee and believes it adequately shows the necessary funding sources, this documentation should be attached to the Appropriation Entry (AP) form requesting that MMB activate the appropriation.

State agencies remain responsible for retaining documentation showing that all funding has either been received or committed.

B. Post-Issuance Compliance Guidelines

Sections I, II and III of the above-mentioned Tax Compliance Policies and Procedures contain requirements that apply to state agencies' use of state general obligation bond proceeds for financed projects. Please review these sections carefully for detailed guidance on the requirements. Certain agency representatives ("Agency Representatives") are identified in Exhibit A to the policies and procedures and these individuals should be familiar with this document.

Several of the requirements are summarized elsewhere in this memo, including section 1 (use agreements), section 4 (reimbursement) and section 7 (staff costs). Other important provisions to be mindful of include the following:

- Agency Representatives must review the expenditure of bond proceeds, and should report any irregularities to MMB.
- Grant agreements for state bond financed projects must show compliance with the Internal Revenue Code. MMB's template grant agreements discussed in section 2 below are designed to comply with this requirement.
- There can be no expectation that the state bond financed property will be sold or otherwise disposed of by the grantee during the term of the bonds issued to finance the project.
- Agency Representatives should ensure their agency commissioners, managers or other officials are trained in the proper use of bond proceeds. They should also instruct these individuals to consult with their respective Agency Representatives regarding any third-party use of bond-financed facilities.
- Agency Representatives should meet annually with their facilities personnel to discuss any planned third-party use of state bond financed property, and should submit findings to MMB.

C. Use of Bond Proceeds to Pay for Staff Costs

In response to questions MMB has received about which state agency staff costs may be paid for with general obligation bond proceeds under MMB's staff costs policy (described in more detail in section 7 below), we have prepared the attached Exhibit A setting forth some guidelines. This chart gives some examples of what are and are not eligible staff costs, and will also be attached to our staff costs policy.

D. American-Made Steel

Article 2, Section 22 of the 2014 bonding bill added a requirement that, “[t]o the extent practicable, a public entity receiving an appropriation of public money for a project in this act must ensure those facilities are built with American-made steel.” Language addressing this requirement is now included in the standard state grant agreements, discussed in section 2 below.

E. Design Review by Legislative Committee Chairs

The legislature amended Minn. Stat. Sec. 16B.335 last session to require notification to additional members of key legislative committees before proceeding with the design phase of a project. Please refer to the statute and to the description in section 10 below for additional information.

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The remainder of this memo is a refresher on the requirements associated with:

- 1) Public ownership, public purpose, and use agreements for state-funded projects
- 2) Standard state grant agreements
- 3) Non-state matching requirements for specific projects
- 4) Reimbursing local governments
- 5) Review of grant recipient’s operating program
- 6) Qualified capital expenditures
- 7) Staff costs for project management
- 8) Sustainable building guidelines for new buildings; alternative energy sources; recycling construction and demolition waste; solar energy
- 9) Predesign review by the Department of Administration
- 10) Design review by legislative committee chairs
- 11) Up to one percent for art
- 12) Project cancellations
- 13) Reporting of Asset Preservation Expenditures
- 14) Tracking Bond-Financed Property
- 15) Jobs Reporting Requirements

More information on these topics may be found in the [Capital Grants Manual](#). Please also see SWIFT operating policy 0302-01 that applies to capital appropriations. SWIFT policies and procedures can be found [here](#) on MMB’s web site.

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## **1) Public Ownership, Public Purpose, and Use Agreements for State-Funded Projects**

The Minnesota Constitution, 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, to Indian tribes or to the federal government.

Minn. Stat. Sec. 16A.695, subdivisions 8 and 9, summarize key requirements of general obligation bond financing. This funding can only be used:

- to finance the acquisition and betterment of public lands and buildings and other improvements of a capital nature that are used to operate a governmental program; and
- for predesign and design for specifically identified projects that involve the operation of a governmental program or activity.

The same statute provides guidelines that must be followed when a capital project benefits a non-profit or for-profit organization. For either a non-profit or for-profit organization to benefit from state bond proceeds the capital project must be owned by a state agency or political subdivision that then enters into a use agreement with the private organization to provide the public program. Such public ownership can be a fee simple interest or a sufficiently long-term lease or easement interest.

A state agency or political subdivision must be more than merely a conduit with a one-time responsibility of passing the bond proceeds through a grant agreement to the 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 MMB must approve all use agreements for bond-financed property.**

The Commissioner of MMB's *Fourth Order Amending Order of Commissioner of Finance Relating to Use and Sale of State Bond Financed Property* dated July 30, 2012 (the "[Commissioner's Order](#)"), includes more detail on the requirements that apply to bond-financed property, including property that is used by a non-public party. Agency accounting coordinators should review SWIFT operating policy 0302-01 when preparing Appropriation Entry (AP) forms for a capital appropriation that benefits a non-profit or for-profit organization. Agencies may also wish to consult with their Attorney General staff regarding the various legal requirements affecting state capital appropriations that benefit a non-public entity.

## **2) Standard State Grant Agreements**

All general obligation capital grant agreements must describe how bond financing will be used, identify the public program to be operated on bond-financed property, and otherwise ensure that the provisions of Minn. Stat. Sec. 16A.695 are implemented. The Attorney General's office, in cooperation with MMB, has developed standard grant agreements for state agencies to use when providing capital grants.<sup>1</sup> These grant agreements contain provisions covering a wide variety of applicable statutory and

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<sup>1</sup> If a state agency chooses to use a grant agreement form that it has customized to apply to its particular program, the grant agreement must implement the provisions imposed by Minn. Stat. Sec. 16A.695. MMB requests that MMB or the Attorney General's office review a customized grant agreement form to ensure that it properly reflects applicable requirements and statutory provisions.

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constitutional requirements. Standard grant agreements for bond-financed and general fund cash-financed projects are posted on MMB's website [here](#).

There are two basic versions of the state grant agreements – construction grants and end grants. Construction grants provide periodic reimbursement to the grantee during project construction. A construction grant agreement will have performance bonds and a fixed price contract. The state agency, as grantor, approves the project budget, receives invoices, and makes payments of state funds to the grantee no more often than monthly. Final payment information must include a certificate of occupancy.

End grants reimburse the grantee after the project has been completed. The grantee assumes full responsibility for completing the project, including providing up-front financing as needed to see the project through to completion. The state agency pays out the state appropriation for the project once the project is complete and a certificate of occupancy has been obtained.

There is a third version of state grant agreement which is used when the grant will fund only the pre-design and/or design phase of a project.

MMB recommends that agencies use end grants whenever possible. However, agencies will need to meet with grantees and consider the dynamics of each project when deciding which grant agreement is best to use.

**The state cannot advance funds to grantees prior to executing a grant agreement under any circumstances.** Funds will be disbursed only when a grant agreement is signed and project costs have been incurred. No funds will be disbursed prior to the start of the project.

### **3) Capital Appropriations with Non-State Matching Requirements**

Minn. Stat. Sec. 16B.31, subd. 2, requires state capital improvement projects to have full funding. This statute specifies that *“No plan [for specifications for constructing or improving a state building or structure] may be adopted, and no improvement made or building constructed by the commissioner [of the Department 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.”*

Agencies and local government grantees must also be aware of Minn. Stat. Sec. 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.”*

Local projects are commonly required to provide matching funds as a condition of receiving a state capital appropriation, whether by direct earmark or as a condition of a state agency-administered program. Non-state funding may include federal, local and private funds or other state funding if that is permitted by the program or appropriation language. The granting agency must provide sufficient documentation to MMB to determine that the recipient has secured sufficient funding to complete the

project, including any matching requirements. Such funding must have been received or a legally binding commitment to provide the funding must be in place. Below are some examples of matching funds which are sufficiently committed and required documentation thereof:

- Cash in hand – bank statements for segregated accounts, copies of checks
- Federal funds – line items in approved federal budgets, grant award letters from federal agencies; federal authorizations by themselves are not sufficient
- Local government match – line items in approved local government budgets, bond purchase agreements or bond sale resolutions, executed loan agreements with lenders
- Private contributions – pledges which have been received in cash (see documentation for “Cash” above) or that are backed by a loan or irrevocable letter of credit; future pledges by themselves are not sufficient
- In-kind contributions (land or buildings) – documentation must be received with the name of the contributor, a description and the value of the contribution, and details of how the value was determined

When MMB sets up appropriations for projects specifically earmarked in bonding legislation where a match is required and appropriations for agency grant programs requiring a matching contribution, the appropriation is placed on “hold” status. Agencies must include appropriate documentation when they submit the Appropriation Entry (AP) form requesting that MMB activate the appropriation. Once MMB approves the match, the appropriation will be activated.

If the project is intended to be completed in phases, the grantee must demonstrate that *all financing* is in place to complete the project or phase of the project that is envisioned in the appropriation language and as specified in the grant agreement. This additional information demonstrating full project funding is required when the Appropriation Entry form to activate the appropriation is submitted to the Executive Budget Officer (“EBO”) at MMB.

For further information, please refer to SWIFT operating policy 0302-01.

#### **4) Reimbursing Agencies or Local Governments**

Agencies and local governments that receive a grant or loan from state general obligation bond proceeds often want to be reimbursed for past expenses which they have already paid from other funds. As a general rule, expenses that an agency or grantee pays from its own funds prior to the effective date of the bonding bill are not eligible to be reimbursed from bond proceeds. The 2014 omnibus bonding bill (Laws 2014, chapter 294) became effective on May 21, 2014.

Federal tax law regulates the issuance and use of tax-exempt bonds by states and local governments. Tax regulations severely limit the ability to use the proceeds of tax-exempt bonds to reimburse costs that have already been paid from other funds.

Expenses incurred before enactment of the relevant bonding bill should be paid for from other project funding sources, such as the local match. Agencies receiving reimbursement requests should not make any payments out of bond proceeds for project costs paid prior to enactment of the bonding bill without first consulting MMB.

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## **5) Operating Program Review of Grantees for Bond-Financed Facilities**

Agencies administering capital grants funded by bond proceeds have oversight responsibility to review the financial capability of a grant recipient's operating program. Minn. Stat. Sec. 16A.695, subd. 5, requires that *"Recipients of grants from money appropriated from the bond proceeds fund must demonstrate to the commissioner of the agency making the grant that the recipient has the ability and a plan to fund the program intended for the facility."*

SWIFT operating policy 0302-01 provides guidance as to the financial review that agencies should conduct to satisfy this legal requirement. Certain types of financial information will need to be requested from grantees in the course of an agency's review process. Agencies that administer capital grant programs may wish to request that certain financial documents be included in the application materials submitted by grantees.

After completing a project's operating program funding review, agencies must provide a certification of the results of their program funding review to MMB.

## **6) Qualified Capital Expenditures**

General obligation bond proceeds 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.

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. Computers, software and other information technology expenditures may be eligible in certain circumstances. Expenses that are not qualified capital expenses must be paid from funds other than general obligation bond proceeds or from general fund cash if not prohibited by law.

As a reminder, MMB has adopted SWIFT operating policy [0308-01](#) stating that **bond proceeds cannot be used for moving and relocation expenses**. This policy applies to all bonding appropriations, current and past, regardless of whether the funds have been encumbered.

## **7) Staff Costs for Project Management**

State agencies are strongly encouraged to charge the time of state employees working on capital projects to non-bond funding sources because of the undesirable practice of amortizing such salary costs over the 20-year life of state general obligation bonds. On October 20, 2009, MMB adopted a [policy](#) regarding use of general obligation bond proceeds to fund staff costs.

Agencies may use general obligation bond proceeds to pay for staff costs for bonding appropriations authorized in the 2010 legislative session and thereafter and for earlier appropriations if explicit statutory authority was given to use G.O. bond proceeds to fund staff costs. The staff costs must be properly capitalizable under generally accepted accounting principles.

Agencies must notify MMB of their intention to capitalize the costs of staff prior to expending any bond appropriations for this purpose. Staff time expended on capital projects must be tracked on a daily basis by project and by each individual recording time on the project. Agencies are required to submit a memorandum to their EBO and to Jennifer Hassemer for approval by MMB, which outlines their proposed plan for tracking and reporting all agency staff time funded with G.O. bond proceeds and an estimate of total staff time to be charged to each project.

Please note that the likely legislative intent of an appropriation specifically earmarked for a grantee is that the entire appropriation will be available to pay costs in the grantee's budget. If an agency anticipates capitalizing agency staff time to deliver the project, this should be discussed with the grantee in advance. See the attached Exhibit A for guidelines on what is properly capitalizable.

After approval of its plan by MMB, each agency must submit a quarterly report to its EBO and to Jennifer Hassemer detailing the staff costs being charged to each capital project. MMB prepared a template summary cover sheet for agencies to submit these reports. MMB is required to report annually on January 15 to the legislature as to each agency's expenditures of capital appropriations for staff costs and its compliance with MMB's policy on staff costs.

**8) Sustainable Building Guidelines for New Buildings; Energy Conservation; Alternative Energy Sources; Recycling Construction and Demolition Waste; Solar Energy**

Under Minn. Stat. Sec. 16B.325, all new state buildings funded after January 1, 2004 and all major renovations funded after January 1, 2009 from general obligation bond proceeds must follow the sustainable building guidelines and exceed the state energy code by 30%. "State building" is defined as any building which receives bond funding.

As required by state law, the Departments of Administration and Commerce have developed sustainable building design guidelines for all new state buildings. The primary objectives of these guidelines, known as the "B3 Guidelines," relate to the energy efficiency of new state buildings and are available [online](#). Questions regarding the B3 Guidelines should be directed to Patrick Smith at (612) 626-9709, [guidelines@b3mn.org](mailto:guidelines@b3mn.org).

All capital improvement projects must comply with applicable energy conservation standards, including Minn. Stat. Secs. 216C.19 to 216C.20. Information and technical assistance may be obtained from the Division of Energy Resources in the Department of Commerce on energy conservation and alternative energy development at 800-657-3710 (MN only) or 651-539-1886, [general.commerce@state.mn.us](mailto:general.commerce@state.mn.us).

Minn. Stat. Sec. 16B.32 relates to energy use by state-owned buildings. Under subd. 1, for construction of a new building or renovation of at least half of an existing building, the commissioner of administration must include designs that utilize active and passive solar energy systems, earth sheltered construction, and other alternative energy sources where feasible. Under subd. 1a, a state agency preparing a predesign for a new building must consider using wind and solar energy for at least 2% of the building's energy needs.

Minn. Stat. Sec. 16B.327 requires recycling of at least 50% of nonhazardous construction and demolition waste (measured by tonnage or volume) generated by construction, renovation or demolition of any building owned or leased by a state agency, MnSCU or the University of Minnesota. It applies to

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appropriations of \$5,000,000 or more enacted after January 1, 2011 if a recycling facility is located within 40 miles of the project.

Minn. Stat. Sec. 16B.323 provides that up to 5% of a bonding appropriation for the construction or major renovation of a state building may be used, after the completion of a cost-benefit analysis, to install “Made in Minnesota” solar energy systems of 40 kilowatts capacity on, adjacent, or in proximity to the state building. A “state building” is defined as a building whose construction or renovation is paid wholly or in part by the state from the bond proceeds fund.

#### **9) Pre-design Review by the Department of Administration**

As part of the state’s efforts to encourage better informed capital investment decisions, agencies and local government grantees are required to prepare pre-design documents for review by the Department of Administration before proceeding with design work (Minn. Stat. Sec. 16B.335, subd. 3). This requirement applies to all capital projects unless specifically exempted by the statute.

The *Pre-design Manual for Capital Budget Projects (Fifth Ed., Feb. 2010)* is posted on the Department of Administration’s website [here](#). Questions regarding the pre-design process should be directed to Gordon Christofferson at Construction Services, [gordon.christofferson@state.mn.us](mailto:gordon.christofferson@state.mn.us), (651) 201-2380.

#### **10) Design Review by Legislative Committee Chairs**

Paragraph (a) of Minn. Stat. Sec. 16B.335, subd. 1, restricts a recipient of a capital appropriation from preparing “...*final plans and specifications for any construction, major remodeling, or land acquisition in anticipation of which the appropriation was made until the agency that will use the project has presented the program plan and cost estimates for all elements necessary to complete the project to the chair of the senate Finance Committee and the chair of the house of representatives Ways and Means Committee and the chairs have made their recommendations, and the chair and ranking minority member of the senate Capital Investment Committee and the chair and ranking minority member of the house of representatives Capital Investment Committee are notified.*”

Paragraph (b) of this same statute exempts certain types of projects from the legislative design review requirements.

Please review this statute in its entirety and consult with the legislative chairs named in the statute for further information regarding the documents that must be submitted to meet applicable legislative design review requirements.

#### **11) Up to One Percent for Art**

Minn. Stat. Sec. 16B.35 allows an appropriation “*for the construction or alteration of any state building*” to include up to one percent for the acquisition of works of art for the public spaces of the building or its grounds. Please note section 7 of this memorandum regarding qualified capital expenditures. For this purpose, a state building is one where the construction or alteration is paid for, wholly or in part, by the state.

The law provides for three instances where none of the bonding appropriation may be spent on art under the “1% for Art” provision: 1) building projects in state prisons; 2) projects where the state

funding is less than \$500,000; and 3) projects where the Commissioner of Administration has determined that the provision is inappropriate.

## **12) Project Cancellations**

Minn. Stat. Sec. 16A.642 requires the Commissioner of MMB to report to the Legislature by January 1 of each odd-numbered year regarding unencumbered or unspent balances of capital appropriations enacted more than four years prior to that date. The reported amounts automatically cancel unless re-authorized by the Legislature.

The Commissioner will report the status of projects authorized in the 2014 bonding bill to the Legislature on January 1, 2019. Accordingly, all 2014 capital projects are being entered in SWIFT with an end date of December 31, 2018. All funding from the 2014 bonding bill that has not been contractually obligated or expended by December 31, 2018 will be cancelled effective July 1, 2019 unless it is re-appropriated by the Legislature. To avoid having a project included in the 2019 cancellation report, agencies and grantees should be prepared to move the project along to completion.

## **13) Reporting of Asset Preservation Expenditures**

All of the asset preservation statutes (M.S. Sec. 16B.307, Sec. 16A.632 (CAPRA), 84.946 (natural resources) and 135.046 (HEAPR)) contain a reporting requirement. Agencies that have received asset preservation appropriations must report to specified legislative committee chairs and to MMB by January 15 of each year a list of projects that have been funded with asset preservation money during the preceding calendar year. The statutes also require agencies to provide a list of priority asset preservation projects for which appropriations will be sought during that year's legislative session. This latter requirement is met through an agency's capital budget request through MMB for asset preservation funding.

## **14) Tracking Bond-Financed Property**

The Commissioner of MMB's *Fourth Order Amending Order of Commissioner of Finance Relating to Use and Sale of State Bond Financed Property* dated July 30, 2012 (the "[Commissioner's Order](#)") requires that a declaration be recorded against real estate that is purchased or improved with state general obligation bond proceeds. Since 2010, agencies and local governments have been able to request a waiver from MMB, under Section 7.02(b) of the Commissioner's Order, of the declaration requirement for bond-financed projects or portions of projects which lie within roads, highways or utility or transit corridors, easements or rights of way, subject to signing a certification in which the bond proceeds recipient acknowledges that the property purchased and/or improved is still bond-financed property and thus subject to certain statutory requirements. **It is important that photocopies or scans of every declaration or certification be sent to Jennifer Hassemer at MMB so that MMB can maintain the records required by Section III.A. of the Tax Compliance Policies and Procedures.**

In order for MMB to successfully track that this requirement is being met by grantees, state agencies need to report to us in the following manner. Agencies should send a report to Kristin Hanson, Assistant Commissioner of Debt Management, by July 30 of each year, which contains the following information for each grant agreement that was signed during the preceding fiscal year ending on June 30:

1. Name of grantee,

2. Name and location of project,
3. Amount of grant, and
4. Either the program under which grant was awarded, or legal cite to legislative appropriation.

Agencies can use either a Microsoft Word table or Excel spreadsheet for the submitted report.

### **15) Capital Projects Jobs Reporting Requirement**

Minn. Stat. Sec. 16A.633, subd. 4 requires the Commissioner of MMB to report by September 1 of each odd-numbered year to the legislative committees with jurisdiction over capital investment on the jobs created or retained as a result of capital project funding, whether with state general obligation bond proceeds or other state funding sources, during the previous biennium. State agencies are responsible for collecting this information from capital project grantees and for reporting the information to MMB upon completion of a project.

MMB has developed an [online](#) reporting system for projects that have been completed, and is in the process of refining it. Further information will be forthcoming.

### **Questions**

Agencies should direct any questions about these topics or any other capital project questions to their assigned EBO, to Jennifer Hassemer, Capital Bonding Coordinator, [jennifer.hassemer@state.mn.us](mailto:jennifer.hassemer@state.mn.us), (651) 201-8079, or to Kristin Hanson, Assistant Commissioner of Debt Management, [kristin.hanson@state.mn.us](mailto:kristin.hanson@state.mn.us), (651) 201-8030.

**Exhibit A**

**ADDENDUM  
 Capitalizable Staff Costs – Guiding Principles**

In response to questions MMB has received regarding what is a capitalizable staff cost under generally accepted accounting principles, the following table provides some general direction. If a specific scenario is not covered in these examples, consult with your agency’s capital asset coordinator. Please refer to the formal policy for all rules that apply to the use of general obligation bond proceeds for costs of staff directly working on a capital project.

ALLOWABLE STAFF COSTS	<b>Examples</b>
Staff time spent actively delivering a capital project	<ul style="list-style-type: none"> <li>• Performing construction activities</li> <li>• Working as a project manager</li> <li>• Overseeing compliance with construction contract or other project-specific requirements</li> </ul>
NON-ALLOWABLE STAFF COSTS	<b>Examples</b>
Staff time spent on pre-planning activities (before funding decisions are made or before project is sited)	<ul style="list-style-type: none"> <li>• Site selection activities</li> <li>• Preparing grant applications and requests for proposals</li> <li>• Reviewing requests for funding</li> </ul>
Staff time spent developing and monitoring the grant agreement and other post-construction activities	<ul style="list-style-type: none"> <li>• Drafting grant agreements</li> <li>• Processing grant payments</li> <li>• Post-completion audits or monitoring</li> </ul>
DEPENDS ON FACTS	<b>Examples</b>
Discuss situations not addressed above with agency capital asset coordinators to determine if a particular cost is properly capitalizable under GAAP, or with MMB	<ul style="list-style-type: none"> <li>• Travel costs               <ul style="list-style-type: none"> <li>○ Would the project not be acquired or constructed “but for” the travel?</li> <li>○ Would the salary of the travelling person be an allowable “staff cost” under MMB’s policy?</li> </ul> </li> <li>• Technical assistance and audits               <ul style="list-style-type: none"> <li>○ Not allowable if ancillary to delivery of project</li> </ul> </li> </ul>