

Money Matters

A Publication of the House Fiscal Analysis Department

Governor Jesse Ventura's FY 2000-01 Capital Budget Recommendations

This paper provides an overall description and detail of Governor Jesse Ventura's FY 2000-01 capital budget recommendations. Part one is the summary section. Part two provides details organized according to the jurisdictions of the House of Representatives' fiscal committees and divisions.

TABLE OF CONTENTS

Capital Budget Overview	Page 1
Capital Budget Recommendations in Detail	
K-12 Education	Page 5
Family & Early Childhood Education	Page 7
Higher Education	Page 9
State Government	Page 11
Agriculture and Environment Finance	Page 15
Health and Human Services	Page 17
Judiciary Finance	Page 19
Jobs and Economic Development	Page 21
Transportation	Page 23
Cancellations	Page 25

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The Web page has fiscal staff publications from recent years as well as spreadsheets for the major finance bills for the past three sessions.

Capital Budget Overview

On January 14, 2000, Governor Ventura announced his capital budget recommendations for the 2000 legislative session. The Governor's office and the Department of Finance waded through over \$1.5 billion in requests for capital funds to come up with a package that authorizes \$499 million in spending, from all sources, on capital projects.

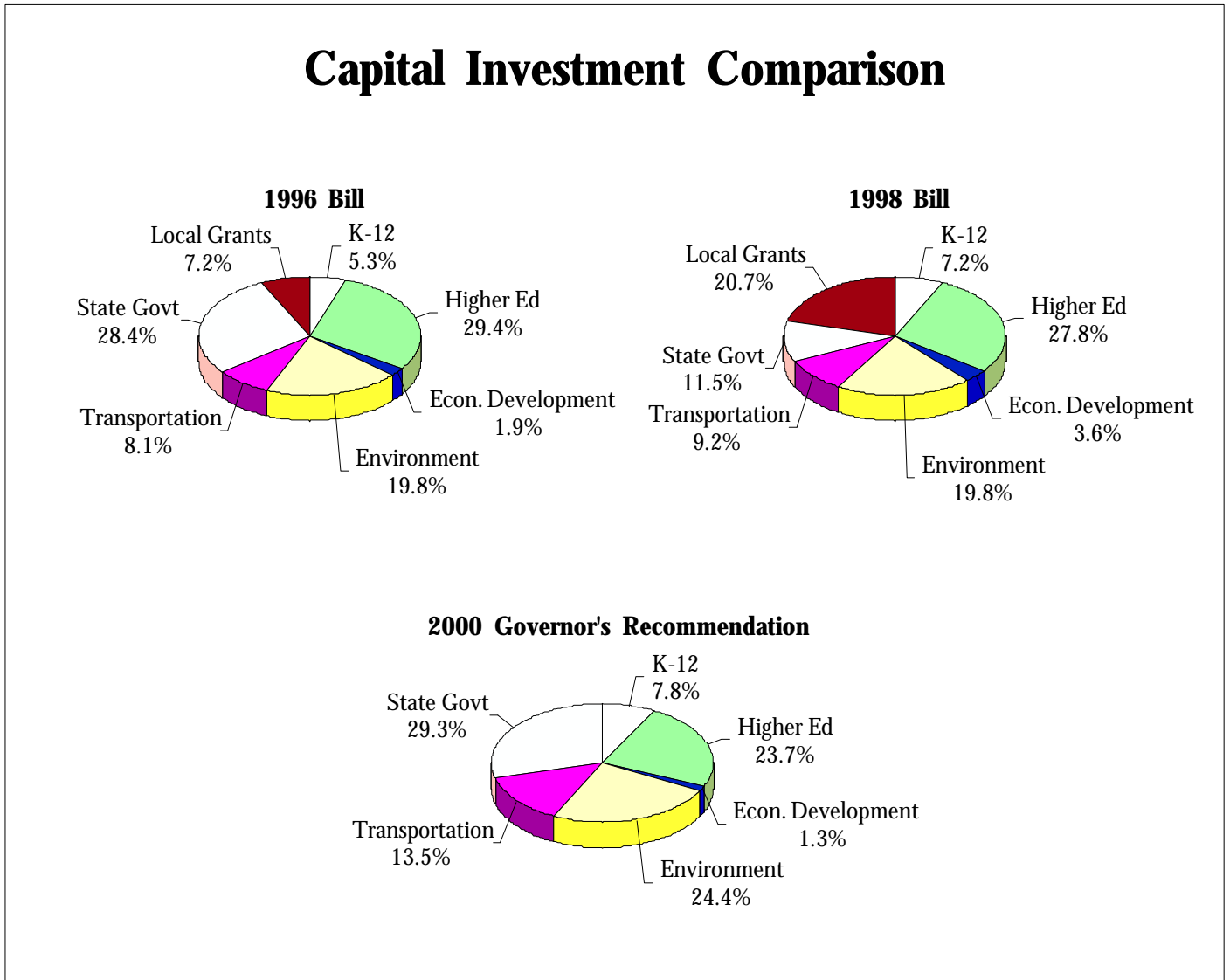
The Governor had promised to hold his recommendations to a level of \$400 million. The recommendations total \$427 million in new general obligation (GO) bond authorizations, but net to slightly over \$400 million when counted against nearly \$27 million in recommended general obligation bond cancellations of projects funded over the past five years. In addition, the package includes \$11 million in new general fund spending (versus \$9.8 million in general fund cancellations), \$27 million in trunk highway fund spending (versus \$514,000 in trunk highway fund cancellations), and nearly \$34 million in spending financed by user fees. User financed revenues come in the form of charges to higher education institutions for one third of the cost of new construction projects, and in the form of loan programs that are repaid by the borrower, such as agricultural loans. Table 1 outlines spending versus cancellations. (Cancellations are shown in detail on page 18).

Table 1

Governor's Recommended Capital Budget by Functional Area <i>(dollars in thousands)</i>	
Finance Area	Recommended Spending
New Projects:	
K-12 Education	39,130
Higher Education	118,261
Economic Development	6,500
Environment	122,013
Transportation	67,341
State Government	98,499
Health & Human Services	27,348
Judiciary Finance	19,520
Grants to Political Subdivisions	0
Bond Sale Expenses / Debt Service Costs	1,026
GO Bonds	427,205
General Fund	11,184
Trunk Highway Fund	27,341
User Financed	33,908
Total New Projects - all funds:	\$499,638
Cancellations:	
GO Bonds	(26,808)
General Fund	(514)
Trunk Highway Fund	(9,894)
Net Recommended Spending (all funds):	\$462,422

As shown in Figure 1 on the next page, Governor Ventura's priorities are similar to past governors and legislatures with one major exception: the Governor greatly reduced recommendations to fund grants to political subdivisions. (The Met Council, defined as a political subdivision by M.S. 473.123 was granted \$10 million for transit ways. This amount is included in the transportation total).

Figure 1



Note: State Government totals also include Judiciary Finance and Health & Human Services.

Bond Capacity

Minnesota's bond capacity is an estimation of how much the state can borrow, projected for the current year or current biennium. During the state financial crunch of the late seventies, the state's bond rating fell from a "AAA" rating, the highest possible rating, to a "AA" rating. Bond ratings denote the financial strength of the borrower. A highly rated bond is a safer investment, but brings a lower return to the investor. Because the lower bond rating signifies a riskier investment that must pay a higher rate of return, the drop to a AA rating cost the state more to finance new debt and reduced the amount the state could borrow.

During the Perpich administration and throughout the Carlson administration, the governors worked with the Department of Finance to establish a debt management policy to restore the state's AAA rating. Several strict policies were adopted to manage debt and keep limits on spending. Even though the policies were put into place in late 1979, it was not until 1997 that the AAA rating from all three rating agencies, Moody's, Fitch, and Standard and Poor, had been restored. The state had spent millions in higher debt costs over the seventeen year period due to the lower rating, but the debt management policies and a stronger economy helped Minnesota once again attain a rating of AAA.

In the set of debt management guidelines, the most commonly known policy is referred to as the “Three Percent Guideline”. This rule states that the appropriation for general fund debt service shall not exceed three percent of non-dedicated general fund revenues for a given biennium. Simply stated, the policy dictates that up to three percent of non-dedicated general fund revenues can be spent to make payments on money the state borrows.

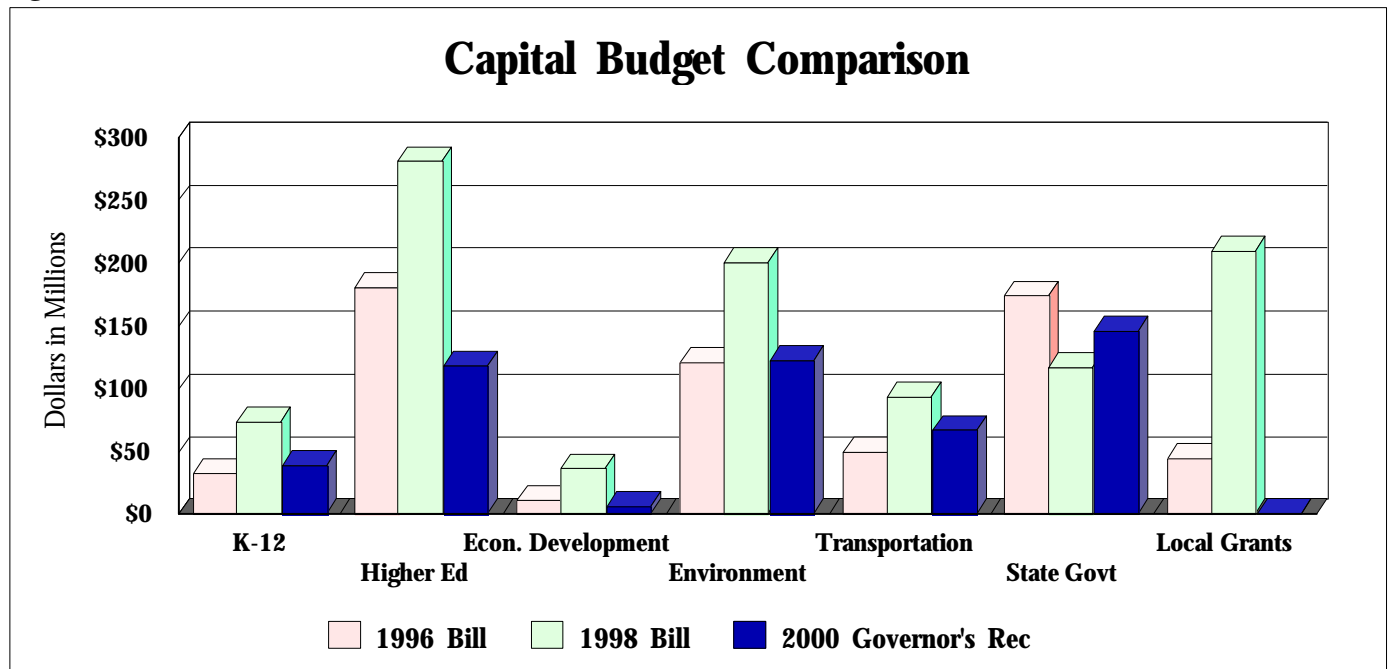
Minnesota currently has \$2.4 billion dollars in outstanding general obligation bonds. The payments on these bonds currently consume 2.34 percent of general fund revenues. The Department of Finance then calculates the maximum capacity, or how much the state can borrow and prevent the payments on those bonds from consuming more than three percent of general fund revenues.

Given the current economic expansion and the strong growth in state revenues, the three percent guideline is not as limiting a factor as it had been in past capital budget cycles. The 1994 and 1996 capital budget bills pushed the state to near maximum capacity, requiring nearly three percent of general fund revenues to meet the debt service requirements. Both bills totaled around \$600 million in general obligation bond authorizations.

The rapid growth of the general fund pushed maximum capacity to over \$1 billion dollars of borrowing power for the 1998 cycle. Once again, the Department of Finance estimates a capacity of over \$1 billion for the 2000 capital budget cycle. The state could safely issue \$970 million in bonds in this legislative session and \$50 million in the 2001 session without breaking the three percent guideline and jeopardizing the AAA rating.

Governor Ventura does not, however, suggest approaching the maximum capacity and has proposed a more modest package that nets \$400 million in general obligation bond authorizations. The proposed spending level is shown in *Figure 2*, compared with spending for the last two major bonding bills.

Figure 2



For further information on Capital Budget issues contact John Walz at 296-8236 or John.Walz@house.leg.state.mn.us

K-12 Education

The Governor's recommendations for capital projects in the K-12 education area total \$39.13 million. The two largest components of the recommendations are \$17.7 million for a magnet middle school on the east side of the Twin Cities Metropolitan area, and \$15.8 million for capital loans for new school buildings in the Red Lake, Cass Lake and Caledonia school districts.

Department of Children, Families and Learning

- **Minnesota Library for the Blind and Physically Handicapped**
The MLBPH requested \$1.35 million to convert its basement storage area to compact shelving and to design a 2-story addition to the current building. The Governor recommended \$600,000 in a General Fund appropriation to purchase and install the compact shelving.
- **East Metro Magnet School**
\$17.7 million to complete the East Metro Magnet middle school. This includes \$10.7 million in new money and \$7 million through the cancellation and reappropriation of funds formerly dedicated to the Southwest Metro Magnet school in Edina.
- **Maximum Effort Capital Loans**
Cass Lake: \$7.5 million for a new grades 5-8 middle school. \$3.3 million to be raised locally.
Caledonia: \$4 million capital loan, for a new elementary school. The district had requested \$14 million, which would have funded the building of a new middle/high school and the remodeling of the current high school to serve as the elementary school.
Red Lake: \$4.3 million to renovate the middle school and Ponemah elementary school. Red Lake had requested an additional \$11 million for a new early childhood facility, but funding for that portion of the request was not included in the Governor's recommendation.

Other Maximum Effort Capital Loan Requests

Two other school districts requested Maximum Effort Capital Loans, but were not recommended for approval by the Governor. The Ulen-Hitterdal district requested a \$4.025 million state loan on a \$8.4 million project, and the LaPorte school district requested a \$7.1 million state loan on a \$9.5 million project. Because their facilities are aging, they will have to determine whether to continue to do short-term maintenance to keep the facilities usable, take another approach such as local voter-approved bonding to build new buildings, work with neighboring districts to cooperate or share facilities, or take other measures to address their current facilities needs.

Perpich School for Art Education

- **Delta Dormitory Upgrades**
\$296,000 for electrical and mechanical upgrades in the Delta Dorm, as well as replacement of furniture, fixtures and equipment. \$133,000 is budgeted for the electrical and mechanical work, and \$82,000 for furniture, fixtures and equipment, with \$81,000 set aside for contingency, professional fees and inflation costs.
- **Asset Preservation**
\$918,000 for asset preservation projects, including window replacement, removal of ornamental precast panels, installation of a new exterior wall treatment and insulation of the main building, and new domestic water piping.

Minnesota State Academies

- **Asset Preservation**

\$1.75 million to be used for asset preservation. Eligible expenditures would include spending on general asset preservation (roof, door and window replacements; asbestos removal; sidewalk replacement; fire suppression), an upgrade of the electrical systems campus-wide, and sewer and water improvements.

- **West Wing Noyes Hall (Phase I)**

\$2.066 million for mold abatement, including exterior wall stripping, treatment and finishing, spot refinishing of interior walls and mechanical system upgrades. Phase II of the West Wing Noyes Hall project would include additional renovation for classroom and living skills areas for special needs students, a teleconferencing center, and site and sound improvement in the auditorium, as well as space for the Minnesota Resource Centers.

Implications

The Governor also indicated support for future changes to both the Maximum Effort School Loan program and debt service equalization aid so that only districts with very low property values will have the ability to participate in the capital loan program. The proposed changes to debt service equalization would increase the amount of state aid available to districts to make debt service payments on their voter-approved bonds, particularly districts with high debt loads and low property values. Since debt service equalization aid is an operating budget program, it is not clear whether the Governor will propose those changes as a supplemental operating budget request for the 2000 Legislative session or as part of the regular operating budget in the 2001 Legislative session.

For more information on K-12 finance issues, contact Greg Crowe, 296-7165 or Greg.Crowe@house.leg.state.mn.us

Family and Early Childhood Education

In the Family and Early Childhood Education Finance Committee in FY 2000-2001, the Governor did not recommend capital funding to construct and/or rehabilitate Head Start and other early childhood facilities despite the agency's request for \$5 million for such projects. The agency's request could have provided funding for up to 14 to 18 additional capital projects. Since the inception of the early childhood learning facility grant program in 1992, approximately 55 capital projects have been funded statewide with a 3:8 ratio of state funds to non-state funds. In addition, youth employment and training programs, such as Youthbuild, participated in the construction of these bonding projects.

The Governor's failure to recommend capital funding for early childhood facilities may add pressure to the existing early childhood infrastructure. As operating budgets increase for early childhood programs such as Head Start, Early Childhood Family Education (ECFE) and Child Care Assistance, the client base expands as well as the need for facilities and space. During the FY 2000-01 biennium, the child care assistance program budget is expected to increase 18 percent over FY 1998-99. In most cases, operating program budgets may not be used to finance facility construction or rehabilitation. If capital funding is not approved by the Legislature, as an alternative, early childhood facilities may be able to lease building space through a capital levy at the discretion of the school board.

For additional information on Family and Early Childhood Education finance issues contact Cynthia Coronado Templin, House Fiscal Analyst, room 374, 296-5384 or Cynthia.Templin@house.leg.state.mn.us

Higher Education

For higher education, the Governor recommends a total of \$118.3 million. This compares with system requests of \$364.3 million. Of this total, \$11.4 million is debt service to be paid by the MnSCU system.

Statewide Maintenance (HEAPR)

At the MnSCU system, the Governor recommends \$30 million in Higher Education Asset Preservation and Renewal (HEAPR) funding for system wide maintenance. MnSCU had requested \$100 million in HEAPR funding. At the University of Minnesota system, the Governor recommends \$9 million in HEAPR funding against the University's request of \$16 million. HEAPR funding is not subject to debt service. System boards have discretion on which maintenance projects would be funded.

The Governor recommends only five major building projects, all in the Metro area.

MnSCU

- **Normandale Community College** \$11.4 million to construct a new science building. An additional \$6.7 million requested for remodeling existing science space is not recommended.
- **North Hennepin Community College** \$11.2 million to renovate the old science building. This is the full amount of the request and completes a project started in the 1998 bonding bill which funded remodeling of the existing general education building.
- **Minneapolis Community and Technical College** \$11.7 million to expand and renovate the Information Technology Center. An additional \$6.5 million to remodel and consolidate student services space is not recommended.

These three projects include user financing (debt service) of \$11.4 million.

University of Minnesota

- **Molecular and Cell Biology** completion at \$35 million. The 1998 bonding bill directed the University to spend \$35 million to begin this project which is underway.
- **Microbial and Plant Genomics Building** \$10 million to match a donation by the Cargill company to construct a new facility.

Since these projects have 50 percent non-state funding, debt service is not required.

Significant MnSCU projects not recommended by the Governor include: major remodeling of St. Cloud Technical College; construction of a library for Metro State University; planning funds for a new classroom facility at Alexandria Technical College; planning for new science facilities at Winona State and Moorhead State Universities; demolition of houses in a five block expansion area adjacent to Moorhead State University; Phase II remodeling projects at Northland Community College and Mankato State University; land acquisition; remodeling of the Maxwell Library at Winona State University; planning for renovation or expansion at St. Cloud State University, Southwest State University and the Rochester Center; renovations at Hennepin Technical College and Northwest Technical College-Moorhead and the Itasca Community College Technology Center.

Significant U of M projects not recommended by the Governor include: funding to match non-state resources for a new Studio Art Building; construction of replacement greenhouses on the St. Paul campus; repairs and upgrades at the Agricultural Research and Outreach Centers (Ag. Experiment Stations); renovations to Kiehle Hall at the Crookston campus; construction of a Music Performance Hall and a Hockey Arena at the Duluth Campus and renovation of the Science Building at the Morris campus.

For further information on Higher Education finance issues contact Doug Berg at 296-5346 or Doug.Berg@house.leg.state.mn.us

State Government

The Governor's recommendations for capital projects in the State Government area total \$98.5. Of this amount, \$94.1 million is from general obligation bonds and \$4.4 million is from the General Fund.

Department of Administration

The Governor recommended \$93.4 million in projects, with \$91 million from general obligation bonds and \$2.4 million from the General Fund. The agency had requested \$123.7 million in projects. Planning estimates for FY 2002 and FY 2004 are \$89.7 million each year.

- **Bureau of Criminal Apprehension Building**

The largest recommendation is \$58 million for a new building for the Bureau of Criminal Apprehension (BCA). The building would be located on the east side of St. Paul at a site already owned by the state.

The BCA states that its current building, located at 1246 University Avenue in St. Paul, is too small for its staff and program needs. In particular, the agency states that the current building is not designed for laboratory functions. The building has poor temperature and air quality controls, inadequate infrastructure to restrict and control biohazards, and aging utilities and environmental systems.

The BCA has received \$7.2 million in prior years for predesign of this project. The 1999 Legislature appropriated \$3.4 million to complete design documents and site preparation for the new facility, and authorized the commissioner to use a design-build method of construction. The 1998 Legislature appropriated \$3.8 million for site acquisition and preliminary design.

One alternative to a new building could be to renovate the existing facility, and possibly purchase adjacent property to expand the BCA's laboratory and training facilities. If the Legislature does agree to build a new building, the Department of Administration will still need to evaluate the existing state-owned facility and recommend options for its future use. Early cost estimates range from \$2 million to demolish the building to \$7.5 million to renovate the facility for use by other state agencies.

State Ownership of Buildings

A major theme of the Department of Administration's long-range capital budget plan is to increase the amount of state owned office space, and to strengthen the position of the Capitol area as the central location for state government:

"To realize the long-term cost savings of ownership, Admin's objective is to change the ratio of space it leases and owns with the goal of locating 70% of the state's office space in state owned buildings and locating 30% of the space in privately owned buildings by the year 2013¹...To achieve this increase in the ownership of office space, Admin will embark on an aggressive construction and property acquisition plan requiring a significant commitment of state resources."

To further this goal, the Governor recommended funding for three related initiatives:

- **Planning:** \$100,000 from the General Fund to update the "Long Range Plan for Locating State Agencies". This plan was first developed in 1993, and last updated in 1995. Minnesota Statutes 16B.24 requires the department to regularly update the plan, and to follow the plan in assigning and reassigning space to state agencies. Several state agency requests for predesign dollars were denied on the basis that the Strategic Plan must be updated before additional projects can move forward.

¹ The current ratio is 31% state owned vs. 69% leased from private owners.

- **Pre-design:** \$2 million to perform a pre-design / schematic design to explore the possibility of co-locating the Departments of Health and Human Services in a new state facility. These funds would also be used to study the laboratory needs of the departments of Health, Natural Resources and Agriculture to determine if a joint state laboratory is needed.
- **Property:** \$5.7 million to continue acquiring property in the Capitol area. The department received an additional \$1.8 million for property acquisition in the 1998 bonding bill.

State Building Maintenance

Another major theme of the Governor's plan is an emphasis on asset preservation. The Department of Administration currently estimates the state's deferred maintenance backlog at over \$1.5 billion dollars. To address this need, the Governor recommended a total of \$14.2 million to be appropriated directly to Administration for repair of state owned facilities. Additional asset preservation funds are included in the recommendations for the departments of Military Affairs, Natural Resources, and Human Services, and in the Higher Education Asset Preservation Account (HEAPR).

The recommendations for Administration are:

- **Asset Preservation:** \$4.2 million for 4 high-priority asset preservation projects. These projects include exterior renovations of the State Office and Centennial Office buildings, and improvements to the Governor's residence.
- **Statewide CAPRA:** \$10 million for Capital Asset Preservation and Replacement Account (CAPRA). CAPRA is a statewide fund for projects that are generally too large or unexpected to be funded from agency repair and replacement budgets. This recommendation is based on total agency requests of \$62 million. Since the program was started in 1990, a total of \$48.9 million in both GO bonds and General Fund dollars has been appropriated for CAPRA projects.

Capitol Project 2005

The Governor recommended \$3.3 million to fund several renovation projects within the Capitol building. These projects are intended to be completed in time for the Capitol's centennial celebration in 2005. The agency had requested a total of \$6.6 million, but the Governor directed Administration and the CAAPB to explore possible private sources for the additional funds needed to complete the projects. The four projects include:

- Upgrading the mechanical and electrical systems in the east wing of the Capitol;
- Restoration of Hearing Room 123 (similar to work already done in the other large hearing rooms)
- Renovating and converting basement space for use as offices and storage; and
- Restoration of the east wing's ground floor public space and Port Cochere entry.

These funds are requested in conjunction with the pre-design funds recommended for the CAAPB (see below).

Other recommendations for the Department of Administration:

- **Electrical Upgrade:** \$2.5 million for Phase 4 of the electrical infrastructure upgrade in the Capitol complex. To date, \$6.55 million has been appropriated for the earlier phases of this project. The recommendation includes an additional \$500,000 per year in the planning estimates for FY 2002 and 2004.
- **Department of Health Building:** \$4.3 million to increase ventilation in the laboratory and to upgrade the electrical capacity at the Department of Health's offices located at 717 Delaware Street on the University of Minnesota campus. Administration states that these are life safety and indoor air quality improvements that are needed immediately. As noted above, state agencies including the Department of Health are conducting a feasibility study for a joint agency laboratory that will serve the environmental laboratory needs several state agencies. Administration is separately requesting funds for the pre-design and schematic designs for this project. It is unclear why the state would invest significant funds in the 717 Delaware Street building if the administration is planning for a new state facility.

- **Agency Relocation Fund:** \$2.3 million from the General Fund for agency relocation. A large portion of this request is related to other recommended projects, including the BCA building and the renovations to 717 Delaware Street.
- **Capitol Security/Emergency Management Renovation:** \$1 million to renovate space in the Capitol building for Capitol Security and the Environmental Management operations within Admin. These operations will be displaced by renovations to the southwest terrace of the Capitol.

Capitol Area Architectural and Planning Board (CAAPB)

- **Capitol Area Predesign:** The Governor recommended \$318,000 in general obligation bonds for pre-designing a phased interior restoration of the Capitol (see Capitol 2005 recommendations under Dept. of Administration). A predesign study would provide analysis of remaining areas to be renovated, a project schedule and cost estimates. The CAAPB had previously sought predesign funds in the 1998 bonding bill, but was unsuccessful.

Minnesota Amateur Sports Commission (MASC)

\$2 million in grant funds to complete the Mighty Ducks ice arena grants program. The agency had requested \$8.7 million for a statewide grant program for amateur sports facilities. \$4 million of this request would have been earmarked for Mighty Ducks, with the remaining funds available for other types of athletic facilities, including “Mighty Kicks” soccer fields.

Through 1998, the state has appropriated \$17.9 million for the Mighty Ducks program. The 1999 Legislature appropriated an additional \$6 million in grant funds for both Mighty Ducks and general facilities grants but the Governor vetoed these funds. Table 2 shows a brief history of Mighty Ducks appropriations.

Table 2

Mighty Ducks Ice Arena Grants - Appropriation History			
Year	Chapter Number	Type	Amount
1995 (1)	Chapter 254, Article 1, Sec. 17, Subd. 1	Cash	\$ 2,875,000
1996 (2)	Chapter 463, Sec. 14, Subd. 2	Bonding	\$ 8,000,000
1997 (3)	Chapter 202, Article 1, Sec. 26	Cash	\$ 5,000,000
1998	Chapter 404, Sec. 15, Subd. 6	Bonding	\$ 2,000,000
TOTAL:			\$ 17,875,000

(1) Includes \$22,000 to administer the program. This amount has been built into the MASC’s base budget.

(2) \$6.5 million for new arenas, and \$500,000 for renovation grants. Total also includes \$1 million for Quad-City Curling Center in Virginia/Eveleth.

(3) \$1 million of the total is available for renovation grants.

The Governor did not recommend any funds for the agency’s other priorities: a conference center at the National Sports Center in Blaine, expansion of the National Volleyball Center in Rochester, and additional funds for the Northwest Sports Center in Thief River Falls and the Nordic Center at Giants Ridge.

Department of Military Affairs

The Governor recommended two projects for the Department of Military Affairs:

- **Kitchen Renovations:** \$1.3 million to renovate kitchen facilities at 10 armory locations statewide. This recommendation would nearly complete the renovation project, which was begun in FY 1994. To date, a total of \$1.6 million has been appropriated to renovate 17 kitchens. If this request is funded, one additional kitchen - in Redwood Falls - would remain to be renovated.

- **Asset Preservation:** \$1.5 million to address the maintenance backlog at armory and training buildings, with an additional \$1.5 million included in the planning estimates for both FY 2002 and 2004. The 1999 Legislature also appropriated \$2 million from the General Fund for asset preservation at the armories. The department's facility audits have documented a backlog of over \$19 million in deferred maintenance needs.

The Governor did not recommend any funds for the predesign of a joint Military Affairs / Emergency Management facility. It should also be noted that the department had asked for planning estimates for new Training and Community Center (armory) facilities at 6 locations, but the Governor declined to comment on this request.

For further information on State Government Finance issues contact Helen Roberts at 296-4117 or Helen.Roberts@house.leg.state.mn.us

Agriculture and Environment Finance

The Governor's 2000 capital budget recommendations for the Agriculture and Environment area total \$122 million. Of this amount, \$97 million is from general obligation bonds, \$20 million is from user financed bonds and \$5 million is from the General Fund. The Governor emphasized preserving current assets and cleaning up the Minnesota River, and the majority of the environmental recommendations are in these two areas. The Governor also recommends using \$20 million to assist rural agriculture and agri-business through programs within the Rural Finance Authority.

Department of Agriculture

- **Rural Finance Authority:** \$20 million of user financed bond authorization to the Rural Finance Authority (RFA) to provide affordable financing loans to farmers and small agri-businesses. The RFA uses the loan repayments plus interest to finance their own debt service as opposed to GO bonds which are paid off with general fund revenues.

Department of Natural Resources

The Governor recommends a total of \$43.4 million in GO bond proceeds to be allocated to the DNR for the following projects:

- **Asset Preservation:** \$2 million to go towards statewide deferred asset preservation projects.
- **Field Office Replacement:** \$5 million for the development of field offices to replace substandard existing facilities.
- **Field Office Improvements:** \$1.5 million for field office renovations and improvements.
- **ADA Compliance:** \$3 million for DNR facilities to comply with ADA requirements.
- **State Park Building Rehab:** \$1.9 million to rehabilitate the state park systems recreation buildings.
- **Lac Qui Parle Campground:** \$500,000 to develop campground sanitation building, associated roads, campsites and utilities at Lac Qui Parle State Park.
- **State Park Betterment:** \$1.6 million to initiate rehabilitation of non-building facilities in state parks such as campsites, trail surfaces, road repair, and parking surfacing improvements.
- **Dam Repair/Removal:** \$1.7 million to provide repair of 6 dams, reconstruction of 2 dams, and the removal of 2 dams.
- **Flood Mitigation:** \$8 million for flood hazard mitigation cost-share grants.
- **Trust Fund Lands:** \$500,000 for the condemnation of permanent school trust fund lands within statutory State Park boundaries.
- **Forest Roads:** \$1.3 million for replacement of 3 bridges, reconstruction of 46 miles of roads and the development of a 4 acre wetland, all within the state forest roads system.
- **Aquatic Management Areas:** \$500,000 for acquisition and development of aquatic management areas (AMAs).
- **Fisheries:** \$200,000 for fisheries habitat improvement in the Nemadji Watershed (Carlton County).
- **Scientific and Natural Areas:** \$1.6 million for acquisition and development of Scientific and Natural Area's (\$700,000) and permanent easements for native prairie preservation (\$900,000).
- **River Restoration:** \$1 million for river restoration and improving fish passage (Snake River, Warren; Ottertail River, Frazee; Pomme de Terre River, Appleton; Red River, Moorhead).
- **Re-invest in Minnesota (RIM) Critical Habitat:** \$1 million to provide the state match for the RIM Critical Habitat program.
- **Metro Greenways:** \$1.5 million to protect ecologically sensitive natural areas through the Metro Greenways program.
- **Wildlife Management Areas:** \$2 million to improve habitat on Wildlife Management Areas statewide.
- **State Park Land Acquisition:** \$700,000 to acquire privately held lands within statutory State Park boundaries.

- **State Forest Betterment:** \$500,000 for facility projects inside state forest land, including campground rehabilitation, trailhead improvements, bridge replacement, and river bank stabilization.
- **Paul Bunyan Trail Connection:** \$1.4 million to complete development of the Paul Bunyan State Trail from Hackensack to Walker. If any funds remain, they will be used on the section of trail between Walker and Bemidji.
- **Metro Regional Parks:** \$5 million to acquire land, and develop existing and new parks and trails in the 7-county metro area through the Metro Regional Parks Capital Improvement Program.
- **Trail Connections:** \$1 million in matching grants for local units of government to develop state trail connections.

Office of Environmental Assistance

- **Capital Assistance:** \$3 million through the Capital Assistance Program to construct solid waste recovery facilities that reduce landfill disposal.

Department of Trade and Economic Development

This portion of the Governor's recommendation for DTED falls in the purview of the Environmental Finance Committee. The Governor recommends the following:

- **PFA State Match:** \$12.9 million to match the EPA's Water Pollution Control Revolving fund grant which provides low interest loans to municipalities for their wastewater treatment projects.
- **Clean Water Partnership:** \$2 million to the Clean Water Partnership loan program.

Board of Water and Soil Resources

- **RIM Reserve:** \$30.6 million in GO bond proceeds and \$5 million in general fund to purchase conservation easements on private land through the Conservation Easement Programs (CREP, RIM Reserve/Wetland Restoration Program, Statewide RIM Reserve/Permanent Wetland Preserve Program) within BWSR.

Minnesota Zoological Gardens

- **Heating System:** \$1.1 million to repair and upgrade the facility's heating and cooling system.
- **Road and Pathways:** \$4 million to rehabilitate parking lots, roadways and pathways.

For further information on Agriculture and Environment Finance issues contact Peter Skwira at 296-4281 or Peter.Skwira@house.leg.state.mn.us

Health and Human Services

The Governor's Capital Budget recommendations provide \$27.4 million in funds for the Department of Human Services and the Veterans Homes Board. While the Governor recommended fully-funding the requests from the Veterans Homes Board, less than 30 percent of the Department of Human Services' budget request was included in the Governor's budget.

Department of Human Services

The Governor's Capital Budget includes funding for the Department of Human Services to undertake five projects that total \$13.9 million for fiscal years 2000-2001. Specifically, the projects included in the capital budget recommendations will provide for:

- **System-wide Roof Repair and Replacement:** \$2.0 million is for roof repair and replacement at state-operated service facilities. The projects vary in scope from the replacement of existing flashing materials to total roof replacement. The cost of the projects vary from \$20,000 to \$590,000.
- **System-wide Asset Preservation:** \$3.0 million is for the critical repair, replacement, and renewal needs of buildings at the state operated services facilities.
- **Cambridge Regional Human Services Center - Demolish Buildings #1, 2, 3, 4, 5, 6, 12, & 14:** \$1.5 million is provided to demolish buildings that are not used and not functional at Cambridge. This project will result in savings to the general fund of \$40,000 each year.
- **St. Peter Regional Treatment Center:** \$7.2 million is for modifying Pexton Hall at the St. Peter Regional Treatment Center to create additional bed capacity for the Minnesota Sexual Psychopathic Personality Treatment program. An, as yet, unspecified amount of general fund dollars will be needed to provide for the operating cost of the new beds.
- **Fergus Falls Regional Treatment Center:** \$250,000 is for conducting a predesign study of the facility to determine what would be the best use for the long-term mental health needs of people in the Fergus Falls catchment area.

Veterans Homes Board

The Governor recommends funding all of the four projects requested by the Veterans Homes Board. The projects, which amount to \$13.5 million for the fiscal year 2000-2001 biennium, include the following:

- **Hastings Building Preservation:** \$7.1 million to provide repair and maintenance for four projects, including a) reconstructing the tunnels which act as conduits for power distribution systems that run beneath the campus and need to be replaced, b) repair or replace the plumbing, HVAC, fire alarm system to the residence care building in Building #23, c) repair or replace the plumbing, HVAC, fire alarm system, and the entire exterior envelope to establish structural integrity for the power plant building, and d) replace the mechanical climate control system in Building #20 for therapy programs.
- **Minneapolis Repair and Replacement:** \$1.8 million for six projects at the Minneapolis Veterans Home including a) replacing a water main, b) replacing the roof of Building #10, c) putting in a new freight elevator in Building #17, d) extensive restoration for Buildings #16 and 17, e) updating a nursing station in Building #17, and f) upgrading the security apparatus at the facility.
- **Asset preservation:** \$4.0 million for the routine asset preservation needs of Minnesota's five Veterans Homes in Fergus Falls, Minneapolis, Luverne, Silver Bay, and Hastings.
- **Silver Bay Maintenance & Storage Facility:** \$593,000 to build an addition to the facility that will be used for a repair shop, vehicle storage, cold storage, and maintenance office.

For further information on Health and Human Services finance issues contact Joe Flores at 296-5483 or Joe.Flores@house.leg.state.mn.us

Judiciary Finance

The Governor's 2000 Criminal Justice capital budget recommends spending of \$19.5 million in general obligation bonds for the Department of Corrections. The recommendations for the Department of Public Safety, which receives its operating funds through the Judiciary Finance Committee, include \$58 million for a new Bureau of Criminal Apprehension (BCA) building. The BCA recommendation is discussed on page 8, under the Department of Administration in the State Government section.

Department of Corrections

- **Faribault Sewer:** \$10.6 million for sewer repair/and or replacement at the Faribault Correctional Facility.
- **Oak Park Heights Addition:** \$855,000 for a new high security 60-bed control unit at Oak Park Heights.
- **Lino Lakes Food Service:** \$3.9 million for remodeling and reorganization of the food service building (H building) at Lino Lakes.
- **Red Wing Mental Health Unit:** \$801,000 for renovation of an existing cottage into a mental health support and living unit at the Red Wing Juvenile facility.
- **Stillwater Health Facility:** \$1.8 million to convert a vacant laundry area into new space for a new health services area.
- **Stillwater Wall and Catwalk:** \$1.4 million for repair of the wall, towers, and the catwalk at the Stillwater facility.

Implications:

The Governor's bonding proposal did not include two projects that were in the Department of Corrections recommendations. The first was the vocational building at Red Wing. This project was not approved because of the low population at the facility. The other project not approved was the activities building at Willow River. The Department of Finance recommended waiting on this project until the evaluation of the Challenge Incarceration program is completed in 2002. Several local projects that would have been under the Judiciary Finance Committee, including funding for regional jails and law enforcement training centers, also did not receive recommendations from the Governor.

For additional information on Judiciary Finance issues contact Gary Karger at 296-4181 or Gary.Karger@house.leg.state.mn.us

Jobs and Economic Development

The Governor's 2000 Economic Development capital budget recommends spending \$6.5 million. Of this amount, the Governor recommends that \$6.25 million be funded with GO bonds, and \$250,000 be funded from the General Fund.

Department of Commerce

- **Energy Investment Loans:** \$2.5 million GO bonding for the Energy Investment Loan Program. This program provides low-interest loans to schools and local governments for energy retrofit projects with the goal of making facilities more energy efficient. Participating schools and local governments pay the debt service of these bonds with their loan repayments.

Housing Finance Agency

- **Transitional Housing:** The Governor recommends \$2 million in GO bonding for the agency's Publicly-Owned Transitional Housing Loan Program. The program provides loans to local units of government for the development, construction, acquisition, improvement or rehabilitation of housing properties to be used as emergency or transitional housing for low or moderate income persons.

Historical Society

- **Asset Preservation:** \$1.75 million in general obligation bonding for Historic Sites Network.
- **Furnishings Restoration:** \$250,000 in general fund monies for the restoration of furnishings at the State Capitol.

The Minnesota Historical Society requested a total of \$6.85 million for five capital projects. The Governor is recommending \$2 million, an amount sufficient to fully fund two of the Society's five capital projects.

The three Society projects which the Governor is not recommending are: \$3.75 million for the St. Anthony Falls Heritage Center, \$600,000 for the North West Company Fur Post, and \$500,000 for County and Local Historic Preservation Grants.

Grants to Political Subdivisions

The Governor received more than 60 capital assistance requests from local political subdivisions and nonprofit groups totaling over \$407 million. The Governor is recommending that **none** of these local capital assistance requests be funded. It can be expected that many of these projects will be introduced as bills in the 2000 Legislative Session and be referred to the Jobs and Economic Development Finance Committee for consideration.

For more information on Jobs and Economic Development finance issues contact Ron Soderberg at 296-4162 or Ron.Soderberg@house.leg.state.mn.us

Transportation

The Governor recommended \$67.3 million in transportation related projects. These recommendations came from over \$250 million in agency requests. Projects include:

Metropolitan Council

- **Transit ways:** The Governor recommended \$10 million in GO bonds for transitway purposes in the metro area.

A request by the Met Council for Bus Garage facilities was rejected by the Governor. The amount requested was \$20 million.

Department of Transportation

- **Local Bridges:** \$30 million was provided to match federal aid for local bridges.
- **St. Cloud Headquarters:** \$10.3 million in trunk highway fund cash to build a new headquarters in St. Cloud.
- **Detroit Lakes Headquarters:** \$8.7 million from the trunk highway fund for an addition to the building.
- **Transportation Management Center:** \$6.7 million from the trunk highway fund to move the operations of the metro area traffic management center to an expanded facility at the Water's Edge building in Roseville.
- **Truck Station:** \$1.6 million for a new truck station building in Moorhead.

Implications

The Governor's proposal leaves out a few projects that may have impacts on state transportation or have local funding implications. The Governor rejected a request to issue \$100 million in trunk highway bonds to accelerate highway projects. These dollars would be used in cases where the increases in project costs outpace the interest rate on the bonds. The Governor has proposed a different funding proposal in his "Moving Minnesota" transportation package which uses current general fund dollars from MVET tax collections and redirects dollars to transportation purposes.

The recommendation for local bridge aid of \$30 million is significantly lower than the request of \$44 million. This also follows a veto of \$10 million in the 1999 capital investment bill, and a projected need in the 1998 planning estimates of \$57.4 million for the current biennium. The Department of Transportation also shows sharp increases in program needs versus the Governor's planning estimates of \$30 million in each of the next three biennium. This could result in greater costs to local governments, delay in the replacement of structurally deficient bridges, and an increased number of bridges with posted weight restrictions.

The Governor chose not to put money into Port Development grants and Rail Service Improvement Grants. The proposed DM&E railroad expansion will most likely increase the demands on the department for local aid for rail crossing improvements. Each program requested \$5 million in capital funds.

Cancellations

A list of projects recommended for cancellation by the governor is shown in Table 3, below.

Table 3

Governor's Recommended Cancellations (dollars in thousands)			
Project	Fund	Amount	Reason for Cancellation
1994 Capital bill, Chapter 643 Labor Interpretive Center Design	GO	\$735	Location and match problems
1996 Capital bill, Chapter 463 Dilworth Truck Station	THF	\$514	Abandoned by agency
Brainerd Correctional Facility Expansion	GO	\$1,313	Abandoned by agency
Battle Point History Center	GO	\$500	Lack of progress
Austin Public TV Tower	GO	\$975	Bondability issues, FCC issues
Jungle Theater	GO	\$335	Bondability issues
1997 Flood Relief, 2nd Special Session, Chapter 2 Public Safety Assistance Grants	GO	\$10,000	Abandoned by agency
1998 Capital bill, Chapter 404 Battle Point Education Center	GO	\$1,700	Lack of progress
Hutchinson Convention Center	GO	\$1,000	Failed referendum
Penumbra Theater	GO	\$2,250	Match problems, location issues
St Cloud Events Center	GO	\$4,000	Failed referendum
Labor Interpretive Center Construction	GF	\$6,000	Location and match problems
Detroit Lakes Community Center	GF	\$1,500	Failed referendum
Red Lake Manufacturing Center	GF	\$500	Manufacturer abandoned project
Metro Magnet School Design	GF	\$1,894	Location problems
Metro Magnet School Edina	GO	\$4,000	Location problems
GO Bonds		\$26,808	
General Fund		\$9,894	
Trunk Highway		\$514	
Total All Funds		\$37,216	