Governor’s 1998 Capital Budget Summary

A summary of Governor Carlson’s Capital Budget proposals.

TABLE OF CONTENTS

<table>
<thead>
<tr>
<th>SECTION</th>
<th>PAGE #</th>
</tr>
</thead>
<tbody>
<tr>
<td>BACKGROUND</td>
<td>2</td>
</tr>
<tr>
<td>HIGHER EDUCATION</td>
<td>2</td>
</tr>
<tr>
<td>ENVIRONMENT and NATURAL RESOURCES</td>
<td>4</td>
</tr>
<tr>
<td>ECONOMIC DEVELOPMENT</td>
<td>5</td>
</tr>
<tr>
<td>STATE GOVERNMENT</td>
<td>6</td>
</tr>
<tr>
<td>HEALTH and HUMAN SERVICES</td>
<td>7</td>
</tr>
<tr>
<td>JUDICIARY</td>
<td>7</td>
</tr>
<tr>
<td>K-12 EDUCATION</td>
<td>8</td>
</tr>
<tr>
<td>FAMILY and EARLY CHILDHOOD EDUCATION</td>
<td>9</td>
</tr>
<tr>
<td>HOUSING</td>
<td>9</td>
</tr>
<tr>
<td>TRANSPORTATION</td>
<td>9</td>
</tr>
<tr>
<td>IMPLICATIONS</td>
<td>10</td>
</tr>
</tbody>
</table>
Background

On January 14th, Governor Carlson unveiled the largest capital budget proposal in state history. With general obligation bond proceeds, general fund cash, trunk highway funds and user financing, the package totals over one billion dollars.

In recent bonding packages, state bond capacity has been close to $550 million. This session, the Department of Finance estimates that maximum bond capacity is close to $900 million and the Governor feels that authorizing $700 million is fiscally prudent. Maximum bond capacity is defined as the extent to which general obligation bonds may be issued without exceeding the 3% guideline. This guideline states that the appropriation for debt service may not exceed 3% of general fund revenues. A strong economy producing higher revenues and the State's recent upgrade to A A A bond ratings have contributed to higher bond capacity.

The Governor has put an emphasis on three specific areas; Higher Education, Environment, and Economic Development. Of the slightly over $1 billion in the Governor's proposal, $805 million is spent on these three largest categories. Over $400 million was spent in the areas of environment and economic development. Most of the $200 million in economic development was spent on convention and event centers across the state. The greatest emphasis, however, is on Higher Education at over $400 million, more than 40% of the overall spending in the Governor's proposal. Dollar amounts will be General Obligation Bonds unless otherwise noted.

Higher Education

The Governor recommends a total of $415 million in capital projects in the higher education area including $251.95 million at the University of Minnesota and $162.76 million for the Minnesota State Colleges and Universities (MnSCU). The Governor’s recommendations closely reflect both system’s request lists with a strong emphasis on facilities maintenance and renewal projects. In addition, there are recommendations for several major initiatives that are intended to build on projected programmatic strengths and opportunities for consolidation and greater efficiency of existing campus operations.

Of the $415 million total, the Governor recommends that $79 million in General Fund appropriations be spent for primarily basic maintenance projects. The remaining $336 million in bonded projects consist of state general obligation costs of $226 million and $110 million in debt service charged to the higher education systems. Major items in the Governor’s higher education capital recommendations are:

MnSCU
- $43 million from the General Fund for Higher Education Asset Preservation and Renewal (HEAPR) projects system wide. These funds are designated for code compliance and general building repair across the system.
- $15 million from the General Fund for the MnSCU metro area master academic planning effort.
- $10 million for remodeling of the St. Paul Technical College library, labs, and student services space.
- $12 million for construction of a new classroom building and remodeling at Inver Hills Community College.

Money Matters, Page 2 of 10
• $16 million for construction of new space at Hibbing Community and Technical College.
• $7.6 million for remodeling and expansion of Ridgewater Community and Technical College.
• $11 million for phase 1 renovations of Mankato State's athletic facilities.
• $4 million for phase 1 construction of student services space at Northland Community and Technical College.
• $6.5 million to design and construct a technology center at Rochester Community and Technical College.
• $7 million to design and construct a technology center at Mankato State University.
• $5 million to construct a recreation and sports center at Rochester Community and Technical College.
• $9 million for predesign, design, master plan updates, and land acquisition at various campuses system wide.

In total, the Governor recommends $163 million in projects for MnSCU including $66 million in General Fund appropriations, $66 million in GO bonding, and $31 million in user fees.

U of M
• $53.4 million for total renovation of Walter Library facility which will include the new Digital Technology Center.
• $70 million to design and construct a Molecular and Cellular Biology building.
• $14.6 million for construction of an addition to the Architecture building. $9 million to remodel the existing structure.
• $28.2 million to construct an addition and extensively remodel the Morris Campus science building.
• $22.3 million to construct a new library at the Duluth campus.
• $17.9 million in HEAPR and utility infrastructure improvements system wide.
• $4.4 million for design and construction of renovations at Agricultural Experiment Stations.
• $2.7 million in design funds for future renovations and additions including 4 buildings in Duluth, a new arts building and Folwell Hall in Mpls., the St. Paul Greenhouses and Kiehle Hall in Crookston.
• $30.9 million for design and construction of facilities renovations for Amundson Hall, Murphy Hall, Ford Hall, Peters Hall, Snyder Hall, Gorter Labs, Knutson Hall, Owen Hall, Child Care and Equine Stable additions.
• $3.3 million for design and construction of women’s sports facilities including a soccer complex, softball complex and offices.

In total, the Governor recommends $252 million in projects for the U of M including $13 million in General Fund appropriations, $160 million in GO bonding, and $79 million in user fees.

For more information contact Doug Berg, House Fiscal Analyst, room 372, 296-5346

Environment, Natural Resources and Agriculture Finance Division

The Governor's 1998 capital budget recommendations for projects under the jurisdiction of the Environment, Natural Resources and Agriculture Finance Committee totals $202.5 million. Of this amount, the Governor recommends that $175.7 million be funded with General Obligation bonds and $26.8 million be funded with the
General Fund. The major areas of recommended funding include environmental protection, habitat protection, outdoor recreation facilities and related infrastructure. The high level of General Fund dollars recommended varies significantly from past recommendations and practices. Although some of the General Fund recommendations are typical capital projects, many of the Governor’s recommendations contain significant increased spending on staffing and the regular operations of environmental agencies, particularly the Department of Natural Resources. Recommendations to increase staffing at agencies may have impact on spending in future biennia. A brief summary of the capital improvement projects recommended by the Governor and listed by agency follows.

**Office of Environmental Assistance**  
- $5 million to finance the construction of local solid waste facilities under the Capital Assistance Program.

**MN Zoological Gardens**  
- $3.2 million for the replacement of roadways, pathways and parking lots at the Zoo.

**Water and Soil Resources Board**  
- $20 million for purchase land easements through RIM Reserve and Permanent Wetland Preservation program.  
- $5.8 million to create a program to replace wetlands lost due to local road construction.  
- $1 million for the grant in aid program for flood control in the MN River Valley.

**Public Facilities Authority**  
- $18 million to the State Revolving Fund (SRF) to provide loans to local government to make improvements to wastewater treatment facilities and drinking water systems.  
- $9.1 million for the Wastewater Infrastructure Fund (WIF) program is recommended for grants to local governments for improvements to wastewater treatment facilities and drinking water systems.

**Department of Natural Resources**  
The Governor recommends a total of $140,314,000 for capital projects in the Department of Natural Resources. Of this amount $117,688,000 is general obligation bonding and $22,626,000 is general fund dollars. Projects included in the Governor’s recommendations are:  
- $2.2 million Asset Preservation funding to DNR facilities.  
- $11.9 million is for constructing of new office facilities in the cities of Windom, Tower, and Fergus Falls.  
- $4.6 million for rehabilitation of existing State Park buildings is recommended at $4.6 million, non-building rehabilitation is $2.9 million. New State Park building construction is recommended at $5.8 million.  
- $24 million is for cost share grants to local governments for projects to study and implement measures to reduce flood damage.  
- $11.5 for the RIM-Critical Habitat Match program. Included in the request is a recommended $2 million for acquisition Wildlife Management Area lands.  
- $14 million is recommended for the creation of a new Veterans Memorial State Park in Duluth.

Money Matters page 4 of 10
• $4.5 million for Wildlife Management Areas. $500 thousand of the requested amount will be General Fund dollars and be used for increased staffing.
• $2 million for the acquisition and development of Scientific and Natural Area and acquisition of Prairie Bank easements. Of this amount $500 thousand is for increased expenditures on operations costs.
• $12.4 million for State trails would be acquired and developed. Trails acquired or improved include the Willard Munger, Root River, Luce Line, Heartland, Paul Bunyan, Goodhue, Blufflands, and Blazing Star state trails.
• $3.5 million is requested to be used for acquisition of State Park lands, $800 thousand for State Forest acquisition.
• $5.3 million for the Lake Superior Safe Harbors program.
• $4.55 million for a major acceleration of Wildlife Habitat Management and Inventory programs, $3.1 million of which is General Fund. The program includes winter habitat improvement, private land cost share, controlled burns on brushland and forests, wildlife population surveys, and conservation partners grants.
• $8.35 million for Local Initiative Grants for acquisition and protection of natural and scenic areas, for acquisition, development and renovation of trails and outdoor recreation areas.
• $9.8 million for the Metropolitan Regional Parks Capital Improvement Program.

For further information contact Jim Reinholdz, House Fiscal Analyst, room 370, 296-4119.

**Economic Development Finance Division**

The Governor’s $189 million economic development capital budget centers around providing economic stimulus, while providing economic development in regional population centers, through construction and expansion of regional convention/civic centers. One stipulation of the Governor’s proposal is that local communities provide at least 50 percent of the funding for the design and construction of the centers. In addition, the Governor proposes to fund several state agencies for existing programs.

**Grants to Political Subdivisions**
• $87.1 million to pay the debt on the current Minneapolis Convention Center, allowing Minneapolis to redirect debt capacity in order to expand the current facility.
• $65 million to the City of St. Paul to replace the existing civic center and construct the new multi-purpose Saint Paul RiverCentre, which would accommodate Minnesota’s National Hockey League expansion team.
• $13.99 million to the City of Duluth to expand the Duluth Convention Center.
• $6.8 million to expand and renovate the Mayo Civic Center in Rochester.
• $1.5 million to the city of Fergus Falls to construct a convention center, supporting the city’s niche as a regional meeting location.

**Historical Society**
• $2 million for the restoration, replacement and deferred maintenance for various historic sites.
• $1 million for county and local preservation grants, which will be met with local matching funds.
• $783,000 toward an expansion of the Split Rock Lighthouse Visitor Center, which will create an entry point to
  the Center, improve bathroom facilities to meet Americans with Disabilities Act requirements, and expand the
  museum store.

Public Service
• $8 million to fund the Energy Investment Loan Program, which provides loans to local governments and school
districts to make energy efficiency improvements to public buildings.

For more information contact C.J. Hager, House Fiscal Analyst, room 428, 296-5813

State Government Finance Division

The Governor recommends $109.2 million in total spending on capital projects for FY 98. Of this amount,
$38.8 million is from general obligation bonds, $16.4 million is from the Trunk Highway Fund and $54 million is
from the General Fund. The Governor’s capital budget includes associated costs in FY 00 of $86.8 million and in
FY 03 of $16.4 million. Major Projects include:

Department of Administration
• $3.5 million from the General Fund to demolish the Capitol Square Building and to relocate the Department of
  Children, Family and Learning and the Higher Education Services Office.
• $5.4 million from the General Fund to upgrade the electrical and mechanical systems in the Capitol complex.
• $15 million from the General Fund for the Capital Asset Preservation and Replacement Account (CAPRA).
• $15.8 million from the Trunk Highway Fund to complete renovation of the Transportation Building.
• $2.8 million to design a new Bureau of Criminal Apprehension (BCA) facility.
• $5.7 million from the General Fund to relocate the Department of Revenue to its new building.

Minnesota Amateur Sports Commission (MASC)
• $25 million to construct a convention center and 18,000 seat stadium at St. Cloud State University. The
  proposal assumes that 50% of the project will be funded through a local government match.
• $5 million from the General Fund for expansion of the National Sports Center in Blaine. The project includes
  $3 million to purchase and develop land for the National Children’s Golf Course, and $2 million to purchase
  and develop land for additional athletic fields.
• $600,000 to complete the Urban Sports Center in Minneapolis.

Capitol Area Architectural and Planning Board (CAAPB)
• $6.7 million to stabilize the Capitol building, and for reconstruction of the southeast and southwest terraces.
• $4.9 million from the General Fund renovate and replace the Capitol’s elevators and exterior doors.
• $764,000 from the General Fund for signs in the Capitol complex.
Military Affairs

- $880,000 to renovate 8 kitchen facilities at various armory locations statewide,
- $900,000 to address the maintenance backlog at armory and training buildings.

For additional information contact Helen Roberts, House Fiscal Analyst, room 374, 296-4117.

Health and Human Services Finance Division

The Governor’s 1998 Health and Human Services capital budget recommends spending $29.4 million. Capital budget spending includes $12.0 million for Veterans Homes and $17.4 million for the Regional Treatment Centers.

Department of Human Services (DHS)

- $6.6 million for system-wide asset preservation and roof repair at the state’s Regional Treatment Centers.
- $2 million for design and construction funding of 12 additional treatment beds for the Minnesota Extended Treatment Options (METO) program at the Cambridge Regional Human Services Center.
- $8 million for design and construction of an additional 50 beds for the Minnesota Sexual Psychopathic Personality Treatment center located at Moose Lake.

Veterans Homes Board

- $6.3 million for infrastructure improvements (campus utility piping and tunnel system) at the Minneapolis Veterans Home.
- $5.7 million for infrastructure improvements (heating and mechanical system) at the Hastings Veterans Home.

For additional information contact, Joe Flores, House Fiscal Analyst, room 385, 296-5483

Judiciary Finance Division

The Governor recommends a capital budget of $17.845 million in general obligation bonds for FY98 for the Department of Corrections. The Bureau of Criminal Apprehension, which receives its funding through the Judiciary Finance Division, was granted some facility design funds through Administration in the State Government section of the Governor’s recommendation. Included if enacted, the Governor’s bonding requests would fund:

- $6.9 million to expand the correctional facility at Shakopee by an additional 124 beds.
- $344 thousand to construct a 160 bed administrative segregation unit at the Lino Lakes facility.
- $1.2 million to design and construction of a security fence around the perimeter of the Red Wing juvenile facility.
- $3.3 million for design and construction of a mental health unit at Oak Park Heights.
- $1.9 million to complete the work on the adult male inmate intake center at the St. Cloud facility.
- $4.1 million for asset preservation.
K-12 Education

The majority of the Governor’s recommended capital budget in the K-12 Education Finance area is in programs for residential educational facilities in the state, including the State Academies for the Deaf and Blind, the Lola and Rudy Perpich Minnesota Center for Arts Education, and a new program which would provide residential alternatives for students who volunteer to leave their current living situation. Of the $28.352 million recommended for K-12 bonding projects, $22.572 million is for residential facilities, with the rest going to the Grand Rapids and St. Paul school districts. Projects in the Governor’s recommended capital budget include:

Department of Children, Families and Learning
- $12 million from the General Fund for up to three Residential Boarding Academies.
- $4.58 million for Community Schools Partnership Grants in the St. Paul school district.
- $1.2 million for construction of a new public library in Grand Rapids.

Faribault Academies
- $725,000 for asset preservation.
- $4 million for the renovation of Tate Hall.
- $4.6 million for the Lysen Learning Building Expansion and Renovation.

Center for Arts Education
- $782,000 for the renovation of the Administrative and Classroom Buildings.
- $467,000 for asset preservation.

For further information contact Greg Crowe, House Fiscal Analyst, room 378, 296-7165

Family and Early Childhood Education

In the Family and Early Childhood Education Finance Division in FY 98-99, the Governor is recommending $3 million for Head Start/Early Childhood Facilities. The proposed capital budget funds will be used to assist with the construction, purchase, and renovation of facilities. This recommendation follows a 60% increase in general fund appropriations for Head Start during the 1997 session.

With increased appropriations at both the state and federal level for Head Start, participation in Head Start and other early childhood programs has steadily increased. Head Start has had to share facilities with child care centers and school districts to accommodate increased program participation. The bond funds recommended by the Governor could fund approximately 15 capital projects. Head Start and other early childhood learning programs have received bond funds from the Legislature since 1992.
Housing and Housing Finance

In the Minnesota Housing Finance Agency (MFHA) in FY 98-99, the Governor is recommending $2.5 million in bond funds for publicly owned transitional housing. Since 1992, $6 million in bond funds and $550,000 each year from the general fund have been appropriated for the construction of public and privately owned transitional housing facilities. The bond funds recommended by the Governor will fund approximately 70 units of transitional housing.

For further information contact Cynthia Coronado, room 361, 296-5384

Transportation

During the 1996 budget session, the Department of Transportation was granted funding for a long list of capital needs. With the complete list of requests funded, the department has come forward with a small list of capital needs. Public Safety and the Met Council came forward requests, though the Governor did not grant any Met Council request. Transportation capital projects funded by the Governor include:

MN/DOT
- $10 million in General Obligation bonds for local bridge replacement grants.
- $9.4 million in Trunk Highway Funds for the remodeling of the St. Cloud Headquarters.

Public Safety
- $1.3 million for a State Patrol training facility at Camp Ripley

For more information, contact John Walz, House Fiscal Analyst, room 376, 296-8236

Implications

This year's bonding package may be the most expensive in State history. It is impossible to predict the health of the economy into the long term future and how such a large bill will affect capacity into the future. At this time, employees of Finance believe that this level of bonding can be sustained with no detrimental affect on the recently acquired AAA rating from the major rating agencies.

The Governors recommendations are a boost to Higher Education and Environment but at a possible cost to other State needs. Projects lacking funding include a new State Support Services facility which has been displaced by the new Department of Revenue building. The Met Council request for funds to replace the Snelling Garage was not granted. The Met Council and Administration were hoping to share a new facility that would offer substantial
operating cost savings from co-location, which may not be realized if one of the projects is funded independently of the other.

In the K-12 area, the Governor did not provide accessibility funding for local school districts and libraries. The grants had been available in previous bonding packages, to help school districts and libraries meet ADA accessibility standards, and reduce costs to local units of government.

The Governor included $200 million for multi-event centers throughout the state. Many may be perceived by the public as economic development in the form of convention centers. Other projects, such as the St. Paul RiverCentre and the St. Cloud Special Events Center, have convention center capacity, but may be seen by the public as primarily sports facilities.

Lastly, the Governor’s package includes $172 million from the General Fund. There is a dual perception that surrounds the use of General Fund dollars. First is that the use of cash will save dollars spent on interest payments in the future. The second is the direct competition with other areas that receive General Fund money. General Fund spending in the bonding bill may argued by some to be subtracting money from health and human services, education, transit, tax rebates and other programs.

For questions about bonding projects, contact the analyst listed by division or John Walz, Capital Investment Fiscal Analyst, room 376, 296-8236

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