



Governor Mark Dayton's 2014 Capital Budget Recommendations

*Money Matters 14.02
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This paper summarizes the Capital Budget recommendations submitted to the Legislature by Governor Mark Dayton. Part one provides an overview of the capital budget recommendations. Part two provides detailed recommendations organized according to the jurisdictions of the House of Representatives' fiscal committees.

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Fiscal Analysis Department
Minnesota House of Representatives

Capital Budget Overview

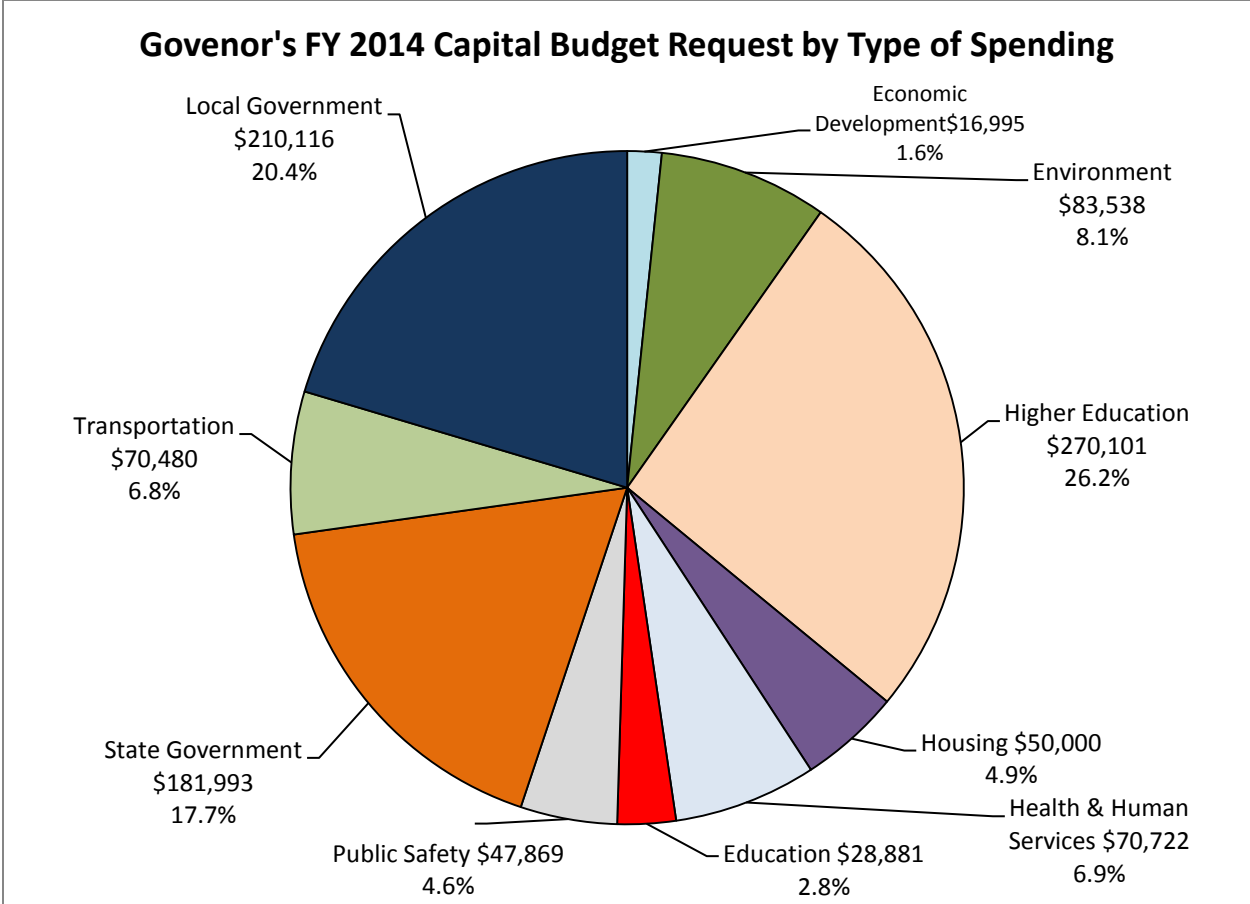
On January 15, 2014, Governor Dayton introduced his capital budget recommendations for the 2014 legislative session. State agencies submitted about \$2 billion in project requests for consideration, and political subdivisions requested over \$835 million in funds. Based on the requests, the Governor recommended \$946 million in funding using General Obligation bonding (GO) and an additional \$85 million spending from other sources. The Governor's recommendations stemmed from state agency and local government requests. The table below highlights the requests and the Governor's recommendations.

Finance Area	Agency Requests	Governor's Recs
New Projects:		
K-12 Education	\$54,681	\$28,881
Environment, Natural Resources & Agriculture	\$367,464	\$83,538
Health & Human Services	\$74,940	\$70,722
Higher Education	\$519,207	\$270,101
Housing	\$100,000	\$50,000
Economic Development & Jobs	\$42,495	\$16,995
Public Safety	\$146,082	\$47,869
State Government (1)	\$251,763	\$181,993
Transportation	\$464,280	\$70,480
Local Government Projects	\$835,524	\$210,116
Total	\$2,856,436	\$1,030,695

*Note: Figures include General Obligation bonding (GO), MnSCU user financing, Minnesota Housing Finance Agency Appropriations Bonds, State General Fund cash and Trunk Highway fund cash.

(1) State Government totals include \$980,000 for bond sale expenses.

Of the \$1.03 Billion noted above, \$946 million would be paid for with various purpose General Obligation (GO) bonds with debt service coming from the state's general fund. Other funding sources includes: \$8 million in Trunk Highway fund cash for truck stations and offices used by MnDOT, \$40.0 million in non-profit housing bonds (also supported by state general fund appropriated for debt service but issued by the Minnesota Housing Finance Agency), and \$37 million in user-financed bonds paid for by MnSCU student tuition. The following pie chart depicts the distribution of the funds by spending category. About \$126 million of the Governor's recommendation for State Government is for continuing rehabilitation of the State Capitol. The legislature already approved \$109 million for State Capitol rehabilitation in the 2013 legislative session and \$44 million in 2012.

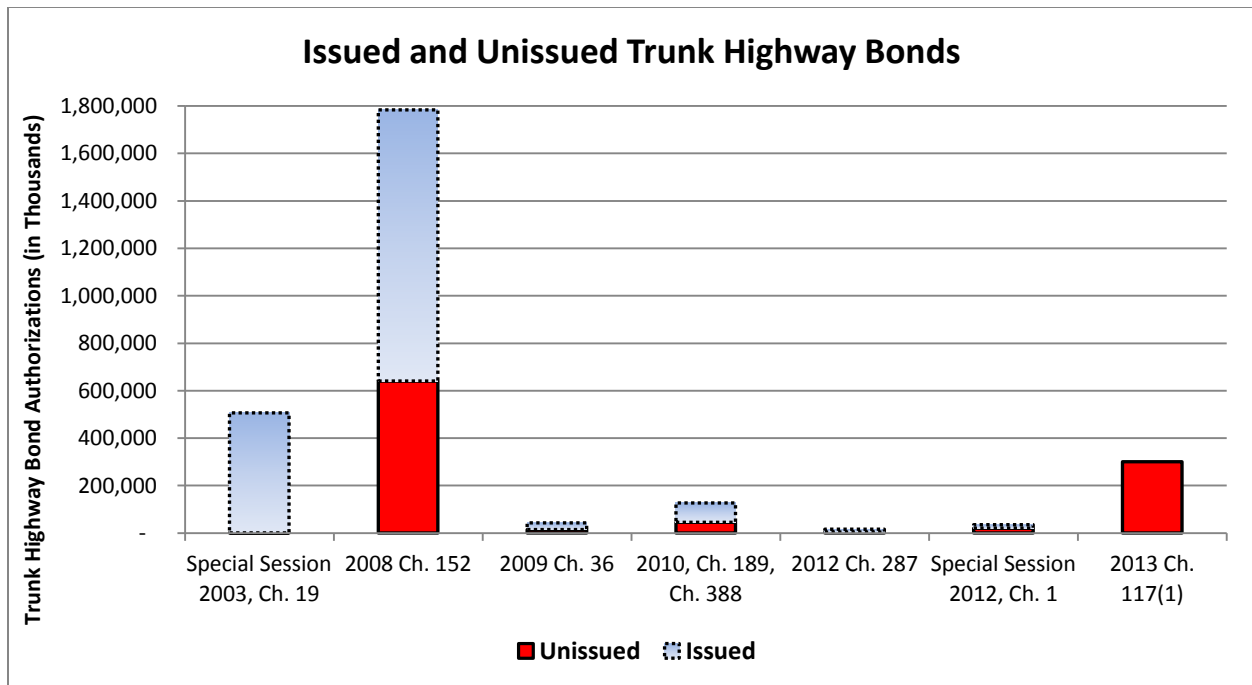
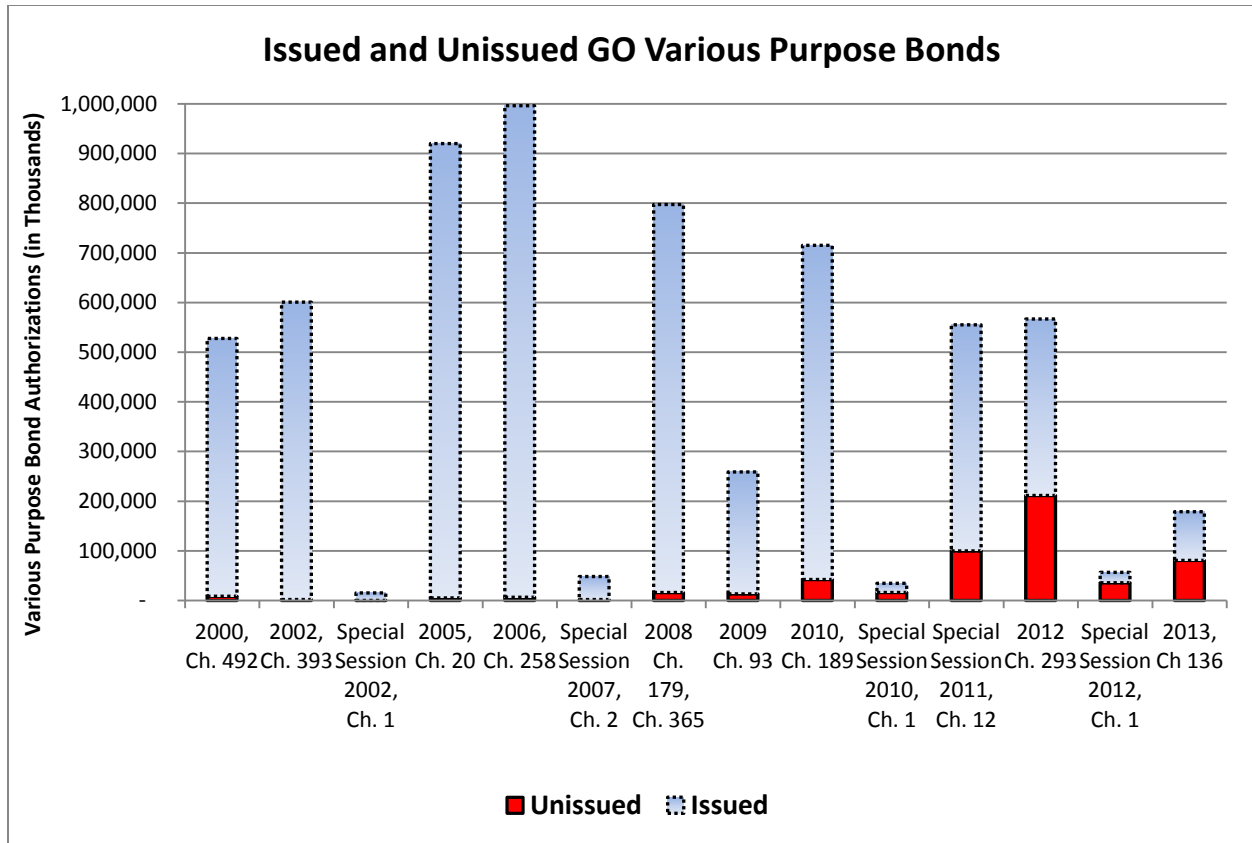


Debt Service Costs

Planning estimates (included in the November 2013 forecast) for the 2014 bonding bill set aside sufficient debt service for \$775.0 million in GO bonding in the upcoming legislative session. Since the Governor recommended authorizing an additional \$171 million, there would be additional debt service under his plan (compared to amounts in the forecast) of about \$6.1 million in FY 2015, \$11.9 million in FY 2016, and \$18 million in FY 2017. The Governor's recommendation includes a general fund cost of \$3.2 million annually (included in the estimates above) for 20 years, beginning in 2015, for debt service for the non-profit housing bonds issued by the Minnesota Housing Finance Agency.

Past Authorizations

Capital budgets have varied greatly in size and composition over the last decade. The tables on the following page show the past authorizations for GO bonding, and Trunk Highway bonding. The unissued columns represent appropriation for projects that have been authorized but are not bonded for or spent yet. The issued columns are for prior authorizations that have been spent, and the projects are either under construction, or complete. As of October 2013 there was about \$530 million of authorized but unissued GO bonding, and about \$1 billion of authorized but unissued Trunk Highway bonding. Most of the smaller GO and Trunk Highway authorizations are for costs relating to natural disasters.



(1) The \$300 million in Trunk Highway bonding authorized in 2013 cannot be issued until FY 2015.

History of Debt Management

During the Quie, Perpich, and Carlson administrations, the Governors worked with the Department of Finance to establish a debt management policy. Several guidelines were adopted to manage debt and limit spending, including the “three percent guideline.” This rule stated that the appropriation for general fund debt service in a biennium shall not exceed three percent of non-dedicated general fund revenues in that biennium. Simply stated, up to three percent of non-dedicated general fund revenues could be used to make payments on money the state borrows, giving the state a self imposed credit limit (i.e. the state’s debt capacity).

During 2008 and 2009, Minnesota Management and Budget (formerly the Department of Finance) began discussing the guidelines and potential revisions. These discussions stemmed from questions regarding how bond rating agencies view the state’s financial situation. In December 2009, the agency announced new guidelines:

- Guideline 1: Total tax-supported principal outstanding shall be 3.25 percent or less of total state personal income.
- Guideline 2: Total amount of principal (both issued and authorized but unissued) for state general obligations, state moral obligations, equipment capital leases, and real estate capital leases are not to exceed 6 percent of state personal income.
- Guideline 3: 40 percent of general obligation debt shall be due within five years and 70 percent within ten years, if consistent with the useful life of the financed assets and/or market conditions.

The capacity for Guidelines 1 and 2 is calculated with every November and February budget forecasts, and are point in time figures.

Debt Capacity

Debt capacity is an estimation of how much the state can borrow based on its current guidelines. Based on the November 2013 forecast, Minnesota has approximately \$9.539 billion in total principal outstanding (both issued and authorized but unissued) for state general fund supported debt. Of this amount, \$2.110 billion in principal is authorized but unissued, leaving about \$4.6 billion in capacity for debt guideline 2. The total principal general fund supported debt outstanding was \$7.43 billion, leaving about \$1.24 billion in capacity for debt management guideline 1. This constitutes 3.78 percent of total general fund spending.

The debt management guideline 1 capacity **is not** guidance to the legislature of the maximum size of a GO bonding bill the legislature can authorize and stay below the guideline 1 limit on principal of issued tax supported debt. Under some circumstances the legislature could authorize bills larger than guideline 1 capacity, and not reach the limit immediately, or the legislature could pass a bill smaller than guideline 1 capacity, and if there was a severe recession or enough previously authorize but unissued debt moved into guideline 1, the state could still exceed the limit. In other words Guideline 1 applies to when bonds are sold not when they are authorized by the legislature.

Bond Ratings and Borrowing Costs

Bond ratings denote the financial strength of the borrower. A highly rated bond is a safer investment but brings a lower rate of return to the investor. Because the lower bond rating signifies a riskier investment, it carries a higher rate of return for the investor.

Rating agencies look at several factors when assessing credit worthiness, such as maintaining structural balance into the future and the level of budget reserve accounts. If the ratings are downgraded due to the current fiscal outlook, future interest costs would increase impacting the affordability of current and additional debt.

The state of Minnesota currently carries a Moody's "Aa1" rating, a Standard and Poor's "AA+" rating and a Fitch "AA+" rating. All of these ratings are one notch below the highest possible rating of AAA. From 1997 to 2003 the state carried this highest rating from all three rating agencies. Moody's downgraded the state's rating in 2003. Standard and Poor's and Fitch both downgraded the state's rating in 2011.

For further information on Capital Budget issues contact Andrew Lee, House Fiscal Analysis Department at 651-296-4181 or Andrew.lee@house.mn.

Education

For the 2014 Legislative session, Governor Dayton has recommended five capital projects in the Education Finance area, totaling \$28.9 million of general obligation bonds, out of a total \$53.6 million requested by state agencies. The projects include:

Education Finance Committee		
Governor's 2014 Capital Investment Recommendations		
(all dollars in thousands)		
Projects by Agency	Agency Request	Governor's Recs
Education		
Red Lake School District facility improvements	\$ 32,500	\$ 13,491
Minnesota State Academies		
New Dormitory	\$ 10,654	\$ 10,654
Asset Preservation	\$ 2,000	\$ 2,000
Perpich Center for the Arts		
Asset Preservation	\$ 3,200	\$ 2,000
Renovate Restrooms in East Wing	\$ 736	\$ 736
Total	\$ 49,090	\$ 28,881

Note: All agency requests are not noted above, but rather, only agency requests associated with the Governor's recommendations.

Department of Education

\$13.5 million for facility improvements at Red Lake School District. Of this amount, \$5.5 million is recommended for updating and equipping the cafeteria at the middle school and high school. The remaining portion, \$8 million, is recommended for renovation and construction at the Red Lake Elementary School.

Minnesota State Academies

\$10.7 million for construction of a new dormitory to replace the existing Frechette Hall.

\$2 million for asset preservation. Projects on the Academies' list for asset preservation generally fall into the code compliance and deferred maintenance categories.

Perpich Center for Arts Education

\$2 million for asset preservation, versus the Center's requested \$3.2 million. A number of health and life safety issues would be addressed.

\$700,000 as requested by the Center, for renovations to the restrooms in the east wing of facility.

For further information on education finance issues contact Melissa Johnson, House Fiscal Analysis Department at 651.296.4178, Melissa.Johnson@house.mn.

Environment, Natural Resources and Agriculture

The Governor's 2014 capital budget recommendations propose general obligation bond appropriations of \$83.538 million for projects under the jurisdiction of the Environment, Natural Resource and Agriculture Finance Committee.

Environment, Natural Resource and Agriculture Finance Committee			
Governor's 2014 Capital Investment Recommendations			
(all dollars in thousands)			
Projects by Agency	Agency Request	Governor's Recs	
Agriculture Department			
Agricultural Lab Sample Storage Room	\$ 203	\$	203
Department of Natural Resources			
Asset Preservation	\$ 50,000	\$	23,000
Buildings and Facilities Development	\$ 5,000	\$	2,000
Dam Repair/Reconstruction/Removal	\$ 5,000	\$	4,000
Reforestation and Stand Improvement	\$ 6,000	\$	5,000
Native Prairie Bank Acquisition and Development	\$ 8,000	\$	6,000
RIM Critical Habitat Match	\$ 3,000	\$	3,000
Fish Hatchery Improvements	\$ 4,000	\$	3,561
Parks and Trails Acquisition and Improvement	\$ 18,700	\$	5,000
Minnesota Forests for the Future	\$ 5,000	\$	3,000
Pollution Control Agency			
Capital Assistance Program	\$ 22,411	\$	5,774
Municipal Stormwater Pond Cleanout	\$ 5,000	\$	2,000
Zoological Gardens			
Discovery Bay Renovation	\$ 3,000	\$	3,000
Heart of the Zoo II	\$ 20,000	\$	5,000
Asset Preservation	\$ 12,200	\$	4,000

Metropolitan Council Parks (and Water)			
Metropolitan Regional Parks	\$	11,000	\$ 5,000
Inflow and Infiltration Grants*	\$	6,000	\$ 4,000
Total	\$	184,514	\$ 83,538

*Request was submitted by Association of Metro Municipalities as a local government request, the Governor's Capital Budget Recommendation was to the Metropolitan Council.

Note: All agency requests are not noted above, but rather, only agency requests associated with the Governor's recommendations.

The following is a summary by agency of the environment and natural resources capital projects recommended by the Governor for funding in the 2014 session.

Agriculture Department

- **Agriculture Lab Sample Storage Room.** \$203,000 is recommended to reconstruct an area within the Laboratory Building. The reconstruction would create new feed storage and grinding rooms and include a dedicated air handling system to allow for improved control of temperature and humidity.

Department of Natural Resources

- **Asset Preservation.** \$23 million is recommended for repairs, renovations and improvements to DNR buildings and facilities. These funds will be used on a variety of assets including: buildings, trails, roads, bridges, public water accesses, and water control structures.
- **Buildings and Facilities Development.** \$2 million is recommended to replace or build new facilities to consolidate DNR offices or to provide additional storage buildings for DNR equipment and for the predesign of anticipated facility realignment.
- **Dam Repair/Reconstruction/Removal.** \$4 million is recommended for repair, reconstruction, or removal of dams, and the response to dam safety emergencies. This funding will provide matching grants to local governments for dam repair and reconstruction.
- **Reforestation and Stand Improvement.** \$5 million is recommended for reforestation and stand improvement on state lands including state forest lands, wildlife management areas and school trust lands. Funding is provided for preparation of sites, planting and seeding, protection of seedlings, and for stand improvement practices such as removing unhealthy trees.

- **Native Prairie Bank Acquisition and Development.** \$6 million is recommended for acquiring conservation easements on privately owned native prairie through the Native Prairie Bank Program and to develop additional acres of NPB to serve as a buffer and improve the viability native plant species.
- **RIM critical habitat match.** \$3 million is recommended to be used to match private donations of cash and land, to fund the cost of acquiring and improving fish, wildlife and native plant habitats for the Reinvest in Minnesota program.
- **Fish Hatchery Improvements.** \$3.561 million is recommended for improvements to DNR's fish hatchery facilities, including upgrades to control fish pathogens and invasive species; improvements to the rearing pond access areas and raceway covers; upgrades to water systems and equipment and drainable ponds; construction of fish holding facilities; and energy efficiency and production capacity upgrades.
- **State Park and Trail Acquisition and New Development.** \$5 million is recommended to acquire key park and trail parcels, develop parks and trails and develop new recreational opportunities.
- **Minnesota Forests for the Future.** \$3 million is recommended to acquire large-scale conservation easements and fee title acquisitions on private forests lands and to pursue opportunities with industry and land holding companies to who own large continuous blocks of land and lands interspersed with state lands.

Pollution Control Agency

- **Capital Assistance Program.** \$5.774 million is recommended for the Capital Assistance Program which provides grants to local units of government to implement the capital portion of integrated solid waste management systems, such as recycling and composting facilities, waste to energy facilities and transfer stations.
- **Municipal Stormwater Pond Cleanout.** The Governor recommends \$2 million for financial assistance to cities to fund removal of sediment from constructed stormwater ponds. This funding will be matched at 50 percent by eligible municipalities.

Minnesota Zoological Gardens

- **Discovery Bay Renovation.** \$3 million is recommended for the completion of the Discovery Bay renovations and open the new Hawaiian Monk Seal exhibit.
- **Heart of the Zoo II.** \$5 million is recommended for the Heart of the Zoo II project including repairs to the upper and lower plaza.

- **Asset preservation.** \$4 million is recommended for asset preservation projects at the Zoo.

Metropolitan Council Parks (water)

- **Metropolitan Regional Parks.** \$5 million is recommended to match \$3.3 million of Metropolitan Council bonds to improve and expand the Metropolitan Regional Park System.
- **Inflow and Infiltration Grants.** \$4 million is recommended for grants to metropolitan area cities to correct inflow and infiltration problems in their municipal wastewater collection systems. This recommendation is made to the Metropolitan Council but was originally a local government request by an Association of Metro Municipalities.

For further information on Environment, Natural Resources and Agriculture finance issues contact Brad Hagemeyer, House Fiscal Analysis Department at 651.296.7165, brad.hagemeyer@house.mn

Health & Human Services

The Governor's capital budget recommendations for the Department of Human Services include four requests totaling \$70.722 million.

Health and Human Services Finance Governor's 2014 Capital Investment Recommendations <i>(all dollars in thousands)</i>		
Projects by Agency	Agency Request	Governor's Recs
Human Services		
MN Security Hospital – St. Peter	\$ 56,317	\$ 56,317
MN Sex Offender Program – St. Peter	\$ 7,405	\$ 7,405
System-Wide Asset Preservation	\$ 6,218	\$ 4,000
Early Childhood Facilities	\$ 5,000	\$ 3,000
Total	\$ 74,940	\$ 70,722

Minnesota Security Hospital – St. Peter

The Governor recommends \$56.3 million to fund design work and construction of new residential, program, activity and related space for the Minnesota Security Hospital (MSH). This project, along with the request for the Minnesota Sex Offender Program, is part of a long range plan to move all operations of the Minnesota Security Hospital to the upper campus in St. Peter, separating them fully from the Minnesota Sex Offender Program (MSOP) facilities on the lower campus. The 2012 Legislature appropriated \$3.7 million for predesign of this project.

This phase of the MSH project funds design and construction of a new campus center, vocational program building, 48 beds for transition program housing, a 12 bed crisis unit, and a 4 bed evaluation unit. It also funds a new administration building, power plant, building connections and warehousing space. In addition, this request develops space for pharmacy and medical services.

The 2014 request also includes design funds for the next phase of the MSH project. That phase, an anticipated \$47.5 million for the 2016 bonding cycle, will focus on additional housing and extensive reconstruction of the existing main MSH building including fire safety, HVAC, security and general renovation.

Minnesota Sex Offender Program – St Peter

The Governor recommends \$7.4 million for design and extensive renovation of existing facilities on the lower campus at St. Peter for use by the Minnesota Sex Offender Program (MSOP). The buildings proposed to be remodeled in this request are the West wing of the Green Acres building and East wing of the Sunrise building. The request also includes design through construction documents for renovation of the Bartlett building. This project will add approximately 60 beds for the MSOP.

The 2011 bonding bill funded \$7 million of remodeling to Shantz Hall on the St. Peter lower campus for use by the MSOP. The 2014 request anticipates additional bonding of \$14.1 million in 2016 to complete renovation of the Bartlett building as well as the Tomlinson building. It also anticipates \$13.2 million in 2018 for renovation of additional wings of the Sunrise and Green Acres buildings.

Asset Preservation

The Governor recommends \$4 million for human services system-wide asset preservation projects.

Early Childhood Facilities

Finally, the Governor recommends \$3 million for facilities grants to political subdivisions for early childhood facilities. These grants would be used by local entities to renovate or construct facilities owned by the state or a political subdivision and leased for programs such as Head Start, School Readiness, Early Childhood Family Education or licensed child care programs and must be matched by a 50 percent non-state contribution.

For further information on Health and Human Services related topics, contact Doug Berg, House Fiscal Analysis at 651-296-5346 or doug.berg@house.mn

Higher Education

The Governor's 2014 capital budget recommendations include general obligation (GO) bond appropriations of \$270.101 million for projects under the jurisdiction of the Higher Education Committee. MN State Colleges and Universities (MnSCU) would receive \$151.401 million in GO bond funds under his proposal, and the University of Minnesota would receive \$118.7 million in GO bond funds. Of the amount recommended for MnSCU, \$111.401 million will be user-financed (UF). This means MnSCU will be responsible for paying one-third of the debt service on the bonds, which amounts to \$37.134 million.

Higher Education Finance Committee		
Governor's 2014 Capital Investment Recommendations		
(all dollars in thousands)		
Projects by Agency	Agency Request	Governor's Recs
MnSCU		
HEAPR	\$ 130,601	\$ 40,000
Metropolitan State - Science Education Center	\$ 35,865	\$ 35,865
Bemidji State - Memorial, Decker, Sanford, Hagg Sauer	\$ 13,790	\$ 13,790
Lake Superior College - Allied Health (86' Wing)	\$ 5,266	\$ 5,266
Minneapolis Community & Tech - Workforce	\$ 3,600	\$ 3,600
St. Paul College - Culinary Arts and CNC/Machine	\$ 1,500	\$ 1,500
MN State College SE Tech - Welding, Science, Classroom	\$ 1,700	\$ 1,700
Central Lakes College - Campus Rightsizing	\$ 4,581	\$ 4,581
MN State University Mankato - Clinical Sciences Facility	\$ 25,818	\$ -
MN State Comm & Tech Moorhead - Transportation Center	\$ 6,544	\$ 6,544
Rochester Community & Tech - Memorial, Plaza	\$ 1,000	\$ -
MN West Comm & Tech - Classroom, Powerline, Geoth	\$ 3,487	\$ 3,487
Dakota County Tech - Transportation & Emerging Tech	\$ 7,586	\$ 7,586
Century College - Digital Fab, Kitchen Space, Solar System	\$ 2,020	\$ 2,020
Northland Community & Tech - TRF, Aviation Maint.	\$ 5,864	\$ 5,864
NHED - Science, Classrooms, Biomass	\$ 3,344	\$ 3,344
Winona State University - Education Village	\$ 5,902	\$ 5,902
Anoka Tech College - Manufacturing Hub, Auto Tech Lab	\$ 1,500	\$ 1,500
Saint Paul College - Health and Science Alliance Center	\$ 14,482	\$ -
Century College - Classroom and Workforce Alignment	\$ 1,000	\$ -
South Central College - STEM and Healthcare	\$ 7,467	\$ 7,467
St. Cloud State University - Student Health & Academic	\$ 865	\$ -
MN State Comm. & Tech - Rightsizing, Student Success	\$ 1,385	\$ 1,385
Northland Community & Tech - EGF Laboratory	\$ 749	\$ -
Winona State University - Psychology Lab	\$ 592	\$ -

Projects by Agency	Agency Request	Governor's Recs
University of MN		
HEAPR	\$ 100,000	\$ 40,000
Tate Science and Teaching (renovation)	\$ 56,700	\$ 56,700
Microbial Sciences Research Building	\$ 30,000	\$ -
Campus Wellness Center	\$ 10,000	\$ 10,000
Research Laboratory Improvement Fund	\$ 12,000	\$ 12,000
Chemical Sciences and Advanced Materials Building	\$ 24,000	\$ -
Total	\$ 519,208	\$ 270,101

The following is a summary by agency of the higher education capital projects recommended by the Governor for funding in the 2014 session.

Minnesota State Colleges and Universities

- **Asset Preservation.** The Governor recommends \$40 million in GO bonds for system-wide asset preservation which is also referred to as higher education asset preservation and replacement (HEAPR). This request is MnSCU's highest priority. The money will be spread among all of the agency's campuses for projects such as roof replacement, mechanical repair, plumbing and electric, and life safety and code compliance. This recommendation includes \$40 million for 2016 and 2018 as well, but does not include any funding for building demolition. The HEAPR funding is the only MnSCU recommendation that does not require any UF monies.
- **Metropolitan State.** This recommendation is for \$35.865 million to build a new Science Education Center and to renovate existing space in order to increase the number of graduates in Science, Technology, Engineering and Mathematics (STEM) fields.
- **Bemidji State.** \$13.790 million is recommended to be used for the renovation of Decker Hall, the demolition of Sanford Hall, pre-demolition costs for Hagg Sauer, and the renovation of Memorial Hall from a gymnasium into classroom and instructional space.
- **Lake Superior College.** This school received a recommended amount of \$5.266 million to remodel and renovate the 1986 wing of the Allied Health and science facilities.
- **Minneapolis Community & Technical College.** This recommendation is \$3.6 million for Phase 2 of the campus-wide Workforce and Infrastructure Remodeling project.

- **Saint Paul College.** The recommendation is to spend \$1.5 million to renovate the Culinary program's classroom and kitchen space, and for renovation of the CNC/Machine Tool lab.
- **Minnesota State College, Southeast Technical.** The Governor would like to see \$1.7 million used for renovation at two of the campuses. Money would be used to renovate outdated carpentry lab space on the Red Wing campus into high tech classroom space. On the Winona campus, space vacated by the auto tech and auto body programs would be renovated and repurposed for health care lab space and the Welding and Mechatronics program.
- **Central Lakes College, Staples.** This recommendation is for \$4.581 million to renovate the main campus in order to improve overall space utilization and efficiency.
- **Minnesota State Community & Technology, Moorhead.** Governor Dayton recommends \$6.544 million to renovate and expand the Transportation Center for the automotive and diesel technology programs offered at the Moorhead campus.
- **Minnesota West Community & Technology.** \$3.487 million is recommended for several purposes: the renovation of current classroom space to meet workforce training needs; the demolition of a 1966 building addition and construction of a new indoor training facility for the Powerline program; and the installation of a geothermal HVAC system on the Canby campus.
- **Dakota County Community & Tech College.** The Governor would like to spend \$7.586 million at this school to complete Phase 2 of a renovation project that addresses and modernizes campus space built in 1973.
- **Century College.** The Governor recommends \$2.02 million for the renovation of underused kitchen space and the Digital Fabrication Laboratory. Some of this funding would also be used to provide Solar Thermal Energy collectors and Photovoltaic Solar Power arrays for use by the Solar Energy curriculum students and faculty.
- **Northland Community & Technology.** The Governor would like to see \$5.864 million used to replace, modify and adapt major pieces of equipment used to train 150-250 students in Unmanned Aerial Systems and Imagery Analysis each year. The renovation and new construction will allow for more future training and partnerships within the industry.
- **Northeast Higher Education District (NHED).** This recommendation is for \$3.344 to improve four of the campuses. At Itasca College, the funding would be used for renovation of the biology lab space, and to replace an old wood boiler with a new woody biomass boiler system. On the Rainy River campus, the Clinical Skills Nursing Laboratory would receive a renovation. At Vermillion College, the Governor recommends funds to renovate the Fine Arts Studio and the Natural Science building.

Hibbing College requested money to demolish obsolete and underutilized space, and to renovate existing space to improve its use and lower operating costs.

- **Winona State University.** Governor Dayton recommends \$5.902 million to begin Phase 1 of the Education Village plan. This would include the renovation of Wabasha Hall, Wabasha Rec, and the Cathedral School. Funding would also be used to provide space for the Outreach & Continuing Education and Graduate Studies programs.
- **Anoka Tech College.** \$1.5 million is recommended to design, renovate and equip space to meet workforce training needs. Specifically, renovations would be done to the Automotive Technology and Manufacturing Technology Hub.
- **South Central College, North Mankato.** The Governor would like to spend \$7.467 million at this school for the renovation of laboratory, classroom and office spaces used for healthcare, STEM, computer and agribusiness purposes.
- **Minnesota State Community & Technology.** The Governor recommends \$1.385 million to design, renovate, furnish and equip space to meet workforce training needs on the Fergus Falls and Wadena campuses.

University of Minnesota

- **Asset Preservation.** This is another recommendation from the Governor for HEAPR. He recommends \$40 million be invested to improve upon physical assets on all of the University's campuses.
- **Tate Science and Teaching.** The Governor recommends \$56.7 million to be used to renovate the 1926 Tate Laboratory of Physics building which will be the new home for the School of Earth Sciences. It will also provide renovated space for the School of Physics and programs in Astrophysics and Theoretical Physics.
- **Campus Wellness Center** \$10 million is recommended to create a new Wellness Center at the Crookston campus. The remodel will provide wellness facilities and programs for use by the students, faculty and staff on campus, as well as additional rooms for campus and community activities and education programs.
- **Research Laboratory Improvement Fund** This Governor would like to use \$12 million to upgrade lab facilities across all University of MN campuses, replace outdated greenhouses, and make improvements in the invasive species research center.

This summary was prepared by Emily Adriaens.

For further information on Higher Education finance issues contact Ken Savary, House Fiscal Analysis Department at 651.296.7171, ken.savary@house.mn

Housing Finance

The Governor's 2014 capital budget recommendations include two projects for the Minnesota Housing Finance Agency. The total recommended spending is \$50 million, with \$10 million being in General Obligation (GO) bonds and \$40 million being in MHFA issued bonds. The Agency's original request was \$100 million.

Housing Finance Governor's 2012 Capital Investment Recommendations Agency Projects (all dollars in thousands)		
Projects by Agency	Requested	Governor's Recs
Housing Finance Agency		
Housing Infrastructure Bonds	\$ 80,000	\$ 40,000
Public Housing Rehabilitation	\$ 20,000	\$ 10,000
Total	\$ 100,000	\$ 50,000

Housing Infrastructure Bonds - \$40 million. The Minnesota Housing Finance Agency (MHFA) would be authorized to sell \$40 million in housing infrastructure bonds. An annual general fund appropriation of up to \$3.2 million per year for 20 years would be made to pay the debt service on these bonds. The bond proceeds will be used to preserve federally subsidized rental housing; acquire and rehabilitate or replace foreclosed properties; and construct, or acquire and rehabilitate, permanent supportive housing. Individual project funding is allocated statewide on a competitive basis.

Public Housing Rehabilitation - \$10 million to preserve existing publicly owned housing and keep it decent, safe, and sanitary for its low income residents. Funding is allocated statewide on a competitive basis to local public housing authorities.

This summary was prepared by Ron Sotaberg.

If you have additional questions on Jobs and Economic Development Finance Committee related issues, please contact Hanriet Hendriks, 651-296-4162, henriet.hendriks@house.mn

Jobs and Economic Development Finance

I. STATE AGENCY PROJECTS

The Governor’s 2014 capital budget recommendations include five projects for the state agencies under the jurisdiction of the Jobs and Economic Development Finance Committee. The total recommended spending is \$16.995 million in General Obligation (GO) bonds.

Jobs & Economic Development Finance		
Governor's 2012 Capital Investment Recommendations		
State Agencies Projects		
(all dollars in thousands)		
Projects by Agency	Requested	Governor's Recs
Employment & Economic Development		
Greater MN Business Development Public Infrastructure	\$ 10,000	\$ 5,000
Transportation Economic Development Program	\$ 17,500	\$ 5,000
Redevelopment Grant Program	\$ 5,000	\$ 1,000
Innovative Business Development Infrastructure	\$ 5,000	\$ 1,000
Iron Range Resources		
Giants Ridge Events Center	\$ 4,995	\$ 4,995
Total	\$ 42,495	\$ 16,995

Department of Employment and Economic Development - \$12 million

Business Development Public Infrastructure - \$5 million for grants to Greater Minnesota cities to assist with funding public infrastructure projects that to support economic development. Eligible public infrastructure projects would include sewers, streets and utility extensions. The grants will be awarded on a competitive basis, and can provide funding up to 50 percent for eligible costs, with a local match required.

Transportation Economic Development (TED) - \$5 million for a competitive grant program that provides up to 70 percent of the transportation and public infrastructure costs associated with economic development projects. TED is a joint effort of DEED and the Minnesota Department of Transportation.

Redevelopment Grants - \$1 million for competitive grants to local governments to renew obsolete or abandoned properties for industrial, commercial and residential uses. Grants can pay for public improvements conducted on publicly owned land. A 50 percent local match is required.

Innovative Business Development Infrastructure - \$1 million for grants to cities for public infrastructure costs related to innovative, high tech, bio, and medical technology business development investments. The funds are used for publicly owned infrastructure. A 50 percent local match is required.

Iron Range Resources and Rehabilitation Board - \$4.995 million

Giants Ridge Event Center - \$4.995 million to build a new event center at Giants Ridge. The event center would be a multi-use, year-round attraction intended to support area tourism and local residents. IRRRB funds would be used to match state GO bond funds

II. Local Government Projects

Local governments submitted 135 bonding requests for possible inclusion in the Governor's bonding recommendations. The total dollar amount of the requests was \$831.676 million.

The Governor is recommending that 24 local government bonding projects be funded by the 2014 Legislature. The 24 projects total \$210.116 million.

Jobs & Economic Development Finance
Governor's 2014 Capital Investment Recommendations
Local Government Projects
(all dollars in thousands)

Projects by Local Government	Request	Governor's Recs
Big Lake Area Sanitary District - Wastewater Collection	\$ 4,500	\$ 4,500
Chisholm/Hibbing Airport Authority - Range Regional Airport	\$ 6,500	\$ 5,000
Clara City - South Hawk Creek Business Park	\$ 748	\$ 748
City of Duluth - NorShor Arts Center Historic Renovation	\$ 6,950	\$ 6,950
City of Fosston - Second Street South	\$ 400	\$ 400
Hennepin County - St. David's Center	\$ 3,750	\$ 3,750
International Falls – Koochiching County Airport Commission	\$ 3,000	\$ 2,000
Koochiching County - Voyageurs National Park Clean Water Project	\$ 8,567	\$ 8,567
Lewis & Clark Water System - Lewis and Clark Joint Powers Board	\$ 69,180	\$ 20,203
City of Mankato - Minnesota State Arena	\$ 14,500	\$ 14,500
City of Maplewood - Tubman Center	\$ 720	\$ 720
City of Minneapolis - Nicollet Mall	\$ 25,000	\$ 20,000
Minneapolis Parks & Recreation Board - Minneapolis Sculpture Garden	\$ 8,500	\$ 7,000
Ramsey County - TCAAP Redevelopment Transportation Funding	\$ 29,000	\$ 29,000
Town of Rice Lake - East Calvary Water Main Replacement	\$ 1,168	\$ 1,168
City of Rochester - Mayo Civic Center	\$ 37,000	\$ 37,000
Spirit Mountain Recreation Area Authority: Water System	\$ 3,400	\$ 3,400
City of St. Cloud - River's Edge Convention Center	\$ 11,560	\$ 11,560
St. Louis Co: Arrowhead Ec. Opportunity Agency & Range Mental Health	\$ 10,000	\$ 2,000
City of St. Paul - Children's Museum	\$ 14,000	\$ 14,000
City of St. Paul - Como Regional Park Access and Circulation	\$ 8,900	\$ 8,900
City of St. Paul - Palace Theater	\$ 6,000	\$ 6,000
City of Truman - Storm Water	\$ 1,250	\$ 1,250
City of Virginia - Northern Heights Industrial Park	\$ 1,500	\$ 1,500
Total	\$ 276,093	\$ 210,116

Note: Does not include local projects not recommended by the Governor.

Big Lake Area Sanitary District - Wastewater Collection - \$4.5 million for the design and construction of a low pressure sanitary sewer collection system around Big Lake in Carlton County. The total project cost is estimated at \$14 million.

Chisholm/Hibbing Airport Authority - Range Regional Airport - \$5 million to demolish the existing terminal and to construct a new passenger terminal and boarding bridge, and associated equipment. Total project cost is estimated at \$10.1 million.

Clara City - South Hawk Creek Business Park - \$748,000 for a grant to Clara City for local road construction and water and sewer improvements to a new business park. The total project cost is \$1.5 million.

City of Duluth - NorShor Arts Center Historic Renovation - \$6.95 million for improved public access, including a skywalk and handicapped accessibility upgrades, to the renovated NorShor Arts Center. The total project cost is \$22.35 million.

City of Fosston - Second Street South - \$400,000 for bringing the road to a 10-ton capacity to accommodate both residential and farm-to-market traffic. The total project cost is \$1.3 million

Hennepin County - St. David's Center - \$3.75 million to renovate and expand the St. David's Center for Child and Family Development. The total project cost is approximately \$12.3 million.

International Falls – Koochiching County Airport Commission - \$2 million for the local match to federal funds to construct a new airline terminal facility in International Falls. The total project cost is \$11.3 million.

Koochiching County - Voyageurs National Park Clean Water Project - \$8.567 million to construct sanitary sewage treatment facilities in and around Voyageurs National Park and the Boundary Waters Canoe Area Wilderness areas. The total project cost is approximately \$17.9 million, and will be located in both Koochiching County and St. Louis County.

Lewis & Clark Water System - Lewis and Clark Joint Powers Board - \$20.203 million for Phase 1 of the Lewis & Clark Regional Water System project to deliver water to the City of Luverne. The total project cost is \$70.564 million, and is a three-phase project.

City of Mankato - Minnesota State Arena - \$14.5 million renovating and expanding the Minnesota State Arena and Events Center. The project's total cost is \$32 million.

City of Maplewood - Tubman Center - \$720,000 to complete renovations and furnish the two remaining shelter floors at Harriet Tubman Center. The total project cost is approximately \$8.2 million.

City of Minneapolis - Nicollet Mall - \$20 million to revitalize the Nicollet Mall. The total project cost is estimated to be approximately \$53 million.

Minneapolis Parks & Recreation Board - Minneapolis Sculpture Garden - \$7 million to renovate of the Minneapolis Sculpture Garden and Cowles Conservatory. The total project cost is \$10 million.

Ramsey County - TCAAP Redevelopment Transportation Funding - \$29 million for improvements to bridges and roadways near the Twin Cities Army Ammunition Plant (TCAAP) site. The total cost of roads and bridges improvements is estimated to be \$52.4 million, with a total project cost, including site remediation, estimated at \$80.9 million.

Town of Rice Lake - East Calvary Water Main Replacement - \$1.168 million to construct and replace a water main. The total project cost is estimated at \$2.467 million.

City of Rochester - Mayo Civic Center - \$37 million to expand and remodel the Mayo Civic Center. The total project cost is \$81.1 million.

Spirit Mountain Recreation Area Authority - Spirit Mountain Water System - \$3.4 million to purchase land and construct a water system to deliver water to the Spirit Mountain ski facility for snowmaking purposes. The total project cost is estimated at \$4.5 million

City of St. Cloud - River's Edge Convention Center - \$11.56 million to complete expansion of the St. Cloud River's Edge Convention Center. The total project cost is approximately \$39 million, with \$26 million having already been spent.

St. Louis County - Arrowhead Economic Opportunity Agency and Range Mental Health - \$2 million for pre-designing a new building which will house the Arrowhead Economic Opportunity Agency and Range Mental Health. The total project cost is estimated at \$20 million.

City of St. Paul - Children's Museum- \$14 million to expand and renovate the Minnesota Children's Museum. The total project cost is \$28 million.

City of St. Paul - Como Regional Park Access and Circulation - \$8.9 million for transportation and access improvements near Como Regional Park, including integrating transit systems and parking within and around the Park.

City of St. Paul - Palace Theater - \$6 million to renovate the Palace Theater. The total project cost is estimated at \$12 million.

City of Truman - Storm Water - \$1.25 million to reconstruct ten blocks of city streets with current undersized storm water trunk lines in two areas of the city that experienced flooding during a September 2010 flood. The total project cost is approximately \$3.7 million.

City of Virginia - Northern Heights Industrial Park - \$1.5 million to extend infrastructure and improve the storm water system at the Northern Heights Industrial Park. The total project cost is estimated at \$3.05 million

This summary was prepared by Ron Sotaberg.

If you have any questions on Jobs and Economic Development Finance Committee related issues, please contact Hanriet Hendriks, 651-296-4162, henriet.hendriks@house.mn

Public Safety

For the 2014 Capital Budget, Governor Dayton recommends three capital projects under the jurisdiction of the Public Safety, Finance Committee. These three projects, all under the jurisdiction of the Department of Corrections totaled \$47.869 million in general obligation bond authorizations.

Public Safety, Crime Prevention and Judiciary	
2014 Capital Budget, Governor's Recommendations	
(all dollars in thousands)	
Projects by Agency	Recommended
Department of Corrections	
Department Wide Asset Preservation	\$ 10,000
Shakopee Women's Facility Perimeter Fence	\$ 5,381
St. Cloud New Intake and Health Facilities	\$ 32,488
Total - Corrections	\$ 47,869

Department of Corrections

\$10 million for asset preservation. This appropriation will fund repairs and deferred maintenance at the State's ten prison facilities. Corrections original request for this need was \$40 million .

\$5.381 million to build a perimeter fence around the Shakopee Women's Correctional Facility. The prison has not had a fence since it was constructed but a changing inmate population and recent escapes have increased the need for additional security.

\$32.488 for improvements at the St. Cloud prison. The funding will provide a new health services unit and more secure loading dock, as well as upgraded intake facility.

Department of Public Safety

The Department of Public Safety had requested \$33.3 million for two projects not included in the Governor's recommendations. Those projects included \$28.3 million for a new statewide emergency operations center and \$5 million for a second phase of an emergency vehicle operations course.

For further information on Public Safety or Judiciary finance issues contact John Walz, House Fiscal Analysis Department at 651.296.8236, John.Walz@house.mn.

State Government

Governor Dayton recommends fifteen capital projects, totaling \$181 million, out of a total of \$249 million requested by agencies under the jurisdiction of the State Government Finance committee.

State Government Finance		
Governor's 2014 Capital Investment Recommendations		
(all dollars in thousands)		
Projects by Agency	Agency Request	Governor's Recs
Administration		
State Capitol Restoration	\$ 126,300	\$ 126,300
State Office Building Restoration	\$ 8,820	\$ -
Agency Relocation (General Fund)	\$ 1,500	\$ -
Capitol Complex Monuments / Memorials Repairs	\$ 2,827	
Statewide CAPRA	\$ 2,000	\$ 2,000
Hmong Veterans Memorial	\$ -	\$ 450
Total Administration:	\$ 141,447	\$ 128,750
MN Amateur Sports Commission (MASC)		
Southwest Regional Sports Center, Marshall	\$ 4,298	\$ 4,298
National Sports Center Tournament Fields, Blaine	\$ 3,950	\$ -
Northwest Regional Sports Center, Moorhead	\$ 4,000	\$ -
Urban Sports Center Planning, St. Paul	\$ 100	\$ -
National Sports Center Asset Preservation	\$ 475	\$ -
Total MASC:	\$ 12,823	\$ 4,298
MN Historical Society		
Oliver Kelley Farm Revitalization	\$ 10,562	\$ -
Historic Sites Asset Preservation	\$ 6,820	\$ 2,500
Historic Fort Snelling Pre-Design	\$ 500	\$ 500
Minnesota History Center Pre-Design	\$ 500	\$ -
County and Local Historic Preservation Grants	\$ 1,500	\$ -
Total MN Historical Society	\$ 19,882	\$ 3,000
MN.IT		
Data Center Consolidation	\$ 1,459	\$ 1,300
Data Center Consolidation (General Fund)	\$ 1,197	\$ -
Total MN-IT:	\$ 2,656	\$ 1,300

State Government Finance		
Governor's 2014 Capital Investment Recommendations		
(all dollars in thousands)		
Projects by Agency	Agency Request	Governor's Recs
Military Affairs		
Asset Preservation	\$ 7,022	\$ 5,000
Brooklyn Park Addition / Renovation	\$ 1,244	\$ 1,244
Owatonna Addition / Renovation	\$ 1,381	\$ 1,381
Building 11-1 Geothermal	\$ 602	\$ -
Total Military Affairs:	\$ 10,249	\$ 7,625
Public Facilities Authority		
State Matching Funds for USEPA Capitalization Grants	\$ 12,000	\$ 12,000
Wastewater Infrastructure Fund	\$ 40,000	\$ 20,000
Total PFA:	\$ 52,000	\$ 32,000
Veterans Affairs		
Asset Preservation	\$ 7,616	\$ 1,500
Minneapolis Deep Tunnel	\$ 730	\$ 700
Resident Rooms - Luverne & Silver Bay	\$ 1,840	\$ 1,840
New Storage Building - Luverne	\$ 120	\$ -
Total Veterans Affairs:	\$ 10,306	\$ 4,040
Total	\$ 249,363	\$ 181,013

Note: All agency requests are not noted above, but rather, only agency requests associated with the Governor's recommendations.

Administration

The Governor recommends \$128.7 million for three projects.

- Continue Capitol Restoration:** \$126.3 million is to continue the restoration of the Capitol. The Comprehensive Master Plan approved by the State Capitol Preservation Commission estimated the total funding needed for the restoration is \$272.7 million. Previous appropriations include \$37.4 million in the 2012 session (additional funds were also included for the tunnel under University Avenue), and \$109 million in the 2013 session. The restoration will continue in phases, and includes repairs to the facade, as well as modernization of the mechanical, electrical, plumbing, life-safety and

telecommunications systems.¹ The restoration is planned to be substantially completed by December 2016.

- **Statewide CAPRA (Capital Asset Preservation and Replacement Account):** \$2 million for the Capital Asset Preservation and Replacement Account (CAPRA). CAPRA is a statewide fund for emergency repairs and unanticipated hazardous material abatement. The fund is administered by the Department of Administration on behalf of other state agencies.

Repair & Maintenance Funding for State Buildings

The state has several sources of funding for repair and maintenance. Smaller repairs are covered through agency operating budgets. Known repair and maintenance needs above \$25,000 are included in the asset preservation recommendations for several state agencies (including the departments of Military Affairs and Veterans Affairs, as discussed below). CAPRA (Capital Asset Preservation and Repair Account) is limited to emergency repairs. Administration also accumulates funds collected as rent to recover depreciation on buildings or construction projects funded through state bonds. These funds are deposited in the Facilities Repair & Replacement Account in the special revenue fund, and are available for asset preservation projects.

Sources of Funds Available for Maintenance & Repair of State Buildings		
	How are Funds Requested?	How are Funds Used?
Operating Funds	Requested by each agency in its operation budget.	Projects are typically under \$25,000. Usually used for the day-to-day maintenance projects.
Asset Preservation	Requested by each agency in a capital budget request	Known repair and maintenance projects costing between \$25,000 and \$300,000.
CAPRA	Central account managed by Admin for use by state agencies. Request is based on historical spending and information from all state agencies regarding their facility needs	CAPRA funds may be used for emergencies, removal of life/safety hazards, containment of hazardous substances, and repair/replacement of roofs, windows, tuckpointing and structural elements necessary to preserve the building.
Facilities Repair & Replacement Account	Money collected by Administration as rent to recover the depreciation costs of buildings under Admin’s custodial control	Used only for asset preservation projects on buildings from which money is collected.

In addition to the repair and maintenance projects, the Governor also recommended funding for a memorial on the Capitol Mall:

¹ Additional detail on the Capitol Restoration project can be found on the preservation commission website: mn.gov/admin/citizen/buildings-grounds/buildings/capitol/restoration/preservation-commission.jsp

- **Hmong Veterans Memorial:** The Governor recommends \$450,000 to design and construct a memorial to honor all Hmong-Lao veterans of the war in Laos who were allied with United States forces during the Vietnam War. The state funds would be contingent on matching funds of \$150,000 from non-state sources.
- Not recommended: The Governor did not recommend funding for three of Administration's requests: design of the restoration of the State Office Building, repairs to monuments and memorials in the Capitol Complex, and funding for unanticipated agency relocation costs.

Minnesota Amateur Sports Commission (MASC)

The Governor recommends \$4.3 million for the Southwest Regional Sports Center in Marshall. The state funds would be matched by local government and private funds, for a total estimated project cost of \$16.1 million. The funds would be used to acquire land, design and construct a new facility with 2 ice sheet surfaces that can also be converted to volleyball or basketball courts. The center would also have 10 outdoor athletic fields.

The Governor did not recommend funding for the MASC's other requests: Additional tournament fields and asset preservation at the National Sports Center in Blaine, the Northwest Regional Sports Center in Moorhead, and planning funds for the Urban Sports Center in St. Paul.

Minnesota Historical Society

The Governor recommends \$3 million in GO bond financing for two projects requested by the Minnesota Historical Society:

- **Historic Sites Asset Preservation:** \$2.5 million is for preservation and restoration of historic structures, landscapes and buildings. 2014 priorities include exterior rehabilitation and interior stabilization work at Fort Snelling. Funds would also be used for life-safety projects, infrastructure upgrades, energy and security improvements, and other preservation projects statewide.
- **Historic Fort Snelling Pre-Design:** \$500,000 for pre-design of facilities to support visitor services and history programs at the site. The pre-design work will determine the scope, cost and schedules for a comprehensive development project that will be part of the 2016 bonding requests. The planning estimate for this future request is \$33.8 million.

The Governor did not recommend funding for the Historical Society's other requests, including the Oliver Kelley Farm visitor center, pre-design for the Minnesota History Center, and local historic preservation grants.

Military Affairs

The Governor recommends \$7.6 million for three projects at National Guard facilities. The department manages over 4.6 million square feet of facilities at over 1500 buildings across the state, including Camp Ripley and the 62 armories, officially called Training and Community Centers. The projects are:

- **Asset preservation:** \$5 million for deferred maintenance projects at armories and training facilities. The request is based on detailed facilities audits, which document a maintenance backlog of over \$36 million. The average age of the state's armory facilities is over 48 years.

Priority projects include the facilities at Litchfield, Albert Lea, Rochester and Willmar. The state funds will be matched by federal funds, with the percentage match determined by the specific scope of each project.

- **Brooklyn Park Addition and Renovation:** \$1.24 million to construct a 25,528 square-foot addition to provide administrative, training and personnel areas to meet current requirements and building codes. The state funds will be matched by federal funds in the amount of \$9.4 million, for a total project cost of \$10.6 million.
- **Owatonna Addition and Renovation:** \$1.38 million to renovate the administrative, storage and personnel areas to meet mission requirements and current code requirements. Project costs will be matched by federal funds, for a total project cost of \$2.8 million.

MN-IT Services

The Governor recommends \$1.3 million to repurpose existing data center facilities back to office space. The repurposing is necessary after a planned consolidation of existing data centers over the next five years. The 2011 legislature appropriated \$5.7 million to begin this process. A pre-design report completed in March 2013 identified data center space in Plant Management controlled facilities, recommended re-use options for each space, and determined a preliminary cost and schedule for the consolidation and repurposing.

Public Facilities Authority (PFA)

The Governor recommends \$32 million for two requests from the Public Facilities Authority:

- **Matching Funds for Capitalization Grants:** \$12 million to fully fund the request for state matching funds for U.S. Environmental Protection Agency (EPA) Capitalization Grants. The funding is expected to access \$60 million in federal EPA funds for the Clean Water Revolving Fund and the Drinking Water Revolving Fund in FY 2015-16.

Funds are awarded to projects based on rankings prepared by the Minnesota Pollution Control Agency (for clean water projects) and the Minnesota Department of Health (for drinking water projects). The state and federal funds are used (along with loan repayments and PFA revenue bonds) to provide low-interest loans to local governments for these projects.

- **Wastewater Infrastructure Fund (WIF):** \$20 million for the WIF program, to provide supplemental assistance grants for high cost wastewater projects. The grants are made in conjunction with either USDA rural development funds or PFA clean water revolving fund loans. WIF funds are directed to the highest priority projects on the MPCA priority list, and are not awarded until projects are ready to start construction.

Veterans Affairs

The Governor recommends \$4 million for three projects at the Department of Veterans Affairs:

- **Asset Preservation:** \$1.5 million for renovation and upgrades to the over 50 buildings under control of the department. Projects are located at the five veterans (Minneapolis, Fergus Falls, Hastings, Luverne, and Silver Bay).
- **Minneapolis Deep Tunnel:** \$700,000 to waterproof and provide structural repairs to the deep tunnel at the Minneapolis Veterans Homes campus.
- **Resident Rooms at Luverne and Silver Bay:** \$1.84 million to repair resident rooms and remodel nurses stations at the Luverne home. Funds will also be used to renovate resident bathrooms at the Silver Bay home.

The Governor did not recommend funding for one of the department's requests: a new storage room at the Luverne veterans' home.

For additional information on State Government finance issues, contact Helen Roberts at 651-296-4117 or Helen.roberts@house.mn.

Transportation

The Governor's recommendations for transportation projects make up approximately 11.3 percent of his overall 2012 capital budget. Of the thirteen agency requests for 2012, the Governor chose to recommend ten of those requests. Agency transportation requests totaled \$259.3 million, and the Governor provided funding in his budget for \$99.1 million of those projects. Below is a summary of the Governor's recommendations and related agency requests.

Transportation Finance and Policy Division		
Governor's 2012 Capital Investment Recommendations		
(all dollars in thousands)		
Projects by Agency	Agency Request	Governor's Recs
Department of Transportation		
Local Bridge Replacement Program	\$75,000	\$ 30,000
Local Road Improvement Fund Grants	\$100,000	\$10,000
Greater Minnesota Transit	\$ 1,130	\$1,130
Railroad Grade Warning Device Replacement	\$10,000	\$2,000
Willmar Headquarters Supplemental Funding (TH)	\$4,370	\$4,370
Little Falls Truck Station Supplemental Funding (TH)	\$3,580	\$3,580
Safe Routes to School	\$3,200	\$2,000
Port Development Assistance	\$10,000	\$400
Metropolitan Council (Transit)		
Arterial Bus Rapid Transit	\$15,000	\$10,000
Metro Orange Line (I-35W Bus Rapid Transit)	\$20,000	\$7,000
Total	\$242,280	\$70,480

Note: All agency requests are not noted above, but rather, only agency requests associated with the Governor's recommendations.

Funding sources for the projects include general obligation bonds, and trunk highway fund cash. Agency requests over \$20 million not recommended for funding by the Governor include \$27 million for High Speed Rail Corridors, \$100 million for Supplemental Funding for Turnbacks, and \$60 million to the Metropolitan Council for the Transit Capital Improvement Program. Additional information on the projects recommended for funding is included below.

Department of Transportation

- **Local Bridge Replacement Program:** 30.0 million in GO bonds to replace or rehabilitate approximately 60 bridges owned by local units of government.
- **Local Road Improvement Grant Funds:** \$10.0 million in GO bonds to assist counties, cities, and townships with local road projects of regional significance. Grant funds through the Local Road Improvement program are awarded on a competitive basis.
- **Greater Minnesota Transit:** \$1.13 million in GO bonds for the St. Cloud Bus Operations Center, roof repairs, and vehicle storage. This will be supplemented with about \$226,000 in local government matching funds.
- **Railroad Grade Warning Device Replacement:** \$2.0 million in GO bonds for replacing aging warning devices where railroads cross highways.
- **Rochester Maintenance Facility:** \$16.1 million in trunk highway bonds for construction and renovation of the existing district headquarters/maintenance facility. The building will also house a Driver and Vehicle Service office and the Minnesota State Patrol.
- **Willmar District Headquarters:** \$4.37 million in trunk highway fund cash for the completion of construction of the Willmar Headquarters. This funding is needed because of higher than expected costs relating to contaminated soils, asbestos and a petroleum vapor barrier.
- **Plymouth Truck Station:** \$5.6 million in trunk highway fund cash for a new truck station and vehicle maintenance facility in Plymouth. The new building will include offices, heated vehicle storage, truck wash and employee support areas.
- **Little Falls Truck Station:** \$3.58 million in trunk highway fund cash for the completion of the Little Falls Truck Station. This funding is needed to address additional costs associated with redefined operational needs.
- **Safe Routes to School:** \$2.0 million in GO bonding for infrastructure projects that allow children to contently walk or bike to school. Funds will be used to improve or build sidewalks, build traffic slowing infrastructure at pedestrian crossings, build bike parking facilities, and other bike or pedestrian facilities.
- **Port Development Assistance:** \$400,000 in GO bonds for the Heavy Lift Dock Capacity project in Winona. Local governments typically provide a 20 percent match on total project costs.

Metropolitan Council

- **Arterial Bus Rapid Transit:** \$10.0 million in GO bonding for the construction of the Twin Cities' First Arterial Bus Rapid Transit line on Snelling Avenue, and Ford Parkway in St. Paul, and 46th Street in Minneapolis. The GO bond proceeds would be used to design and construct enhanced bus stops, and other transit improvements. State GO Bonds would be matched by about \$6 million in Federal Grants, and about \$9 million in MnDOT and Metropolitan Council Funds.
- **Metro Orange Line (I-35W Bus Rapid Transit):** \$7.0 million in GO bonding for the design of a Bus Rapid Transit station at Lake Street and I-35W and for property acquisition along the proposed Bus Rapid Transit Line.

Implications and Considerations

For a number of the transportation capital projects discussed above, MnDOT and the Governor recommended using trunk highway fund cash rather than trunk highway bonds to fund the projects. By the end of the FY 2014-15 biennium, the trunk highway fund is expected to have a balance of \$178 million. By the end of the FY 2016-17 biennium, this balance is expected to grow to \$200 million based on the projected revenues and expenditures; the fund has the capacity to support using cash for the recommended projects.

However, the discussion as to whether to use trunk highway bonds or cash goes beyond fund balances and onto larger policy topics since bonds are financed over 20 years or more and cash is an immediate obligation. Some of these topics include: the amount that should be left in the fund to deal with unanticipated fluctuations (e.g. changes in revenues, unanticipated needs, etc.), the percent of trunk highway funds that should go towards debt service payments, the amount of additional funding that could be used for other activities (e.g. maintenance or construction of roads), and the fundamental discussion of pay-as-you go versus bond financing. MnDOT is currently working on a debt management policy for the trunk highway fund and is also developing additional policies on fund management.

For further information on Transportation finance issues contact Andrew Lee, House Fiscal Analysis Department at 651-296-4181 or Andrew.Lee@house.mn.