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1998-2003

Minnesota Strategic Capital Budget Plan

980035

Economic Development



Presented by Governor Arne H. Carlson to the 80th Legislature

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MINNESOTA STRATEGIC CAPITAL BUDGET PLAN 1998-2003

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ECONOMIC DEVELOPMENT

Housing Finance Agency
Indian Affairs Council
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The Governor's 1998-2003 Strategic Capital Budget Plan
Executive Summary and **Requests for Each Agency** can be
viewed at the Department of Finance's web site at:
<http://www.finance.state.mn.us/bis>

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AGENCY CAPITAL BUDGET REQUEST
 Fiscal Years 1998-2003
 Dollars in Thousands (\$137,500 = \$138 thousand)

Project Title	1998 Agency Priority Ranking	Agency Project Requests for State Funds (\$ by Session)				Statewide Strategic Score	Governor's Recommendation 1998	Governor's Planning Estimate	
		1998	2000	2002	Total			2000	2002
Publicly Owned Transitional Housing	1	\$3,500	\$3,500	\$3,500	\$10,500	510	\$2,500	\$2,500	\$2,500
Total Project Requests		\$3,500	\$3,500	\$3,500	\$10,500		\$2,500	\$2,500	\$2,500

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AGENCY MISSION STATEMENT:

The Minnesota Housing Finance Agency is committed to meeting Minnesotan's needs for decent, safe, affordable homes and stronger communities.

The agency has 2 broad policy objectives for all of its programs: 1) meeting Minnesotan's basic housing needs and 2) strengthening communities. To achieve these policy objectives, the Agency directly and through lenders, community action programs, and local housing and redevelopment authorities provides financial assistance in the form of loans, deferred loans, and grants; provides technical and financial assistance to build housing capacity and to preserve affordable housing financed by the Agency; and administers substantial federal monies in the form of Section 8 and Section 236 housing assistance payments.

TRENDS, POLICIES, AND OTHER ISSUES AFFECTING THE DEMAND FOR SERVICES, FACILITIES OR CAPITAL PROGRAMS:

The need for both emergency and transitional shelter facilities serving homeless persons continues. Between May, 1996 and May, 1997, there was a 2% increase in the number of persons sheltered in shelter facilities. *Office of Economic Opportunity -Department of Children Families and Learning, Quarterly Shelter Survey, May, 1997.* Children were 43% of all of the persons sheltered in Minnesota on the date of the May, 1997 survey.

Transitional housing shelters the largest number of persons on average of all shelter facilities. The number of persons sheltered in transitional housing increased by 4% from 1995 to 1996. The number of persons sheltered in battered women's facilities increased by 25% during the same period. *DES, Quarterly Shelter Survey, February, 1997*

On average, there was a 20% increase in turn-aways from shelters in Minnesota between 1995 and 1996. It is expected that the number of people who are turned away from transitional housing will continue to increase because these programs are already at capacity.

The demand for emergency and transitional housing is not unexpected in light of the steady rise in the number of homeless persons in Minnesota. Between 1985 and 1994, there was a 240% increase in the Twin Cities Metro area in the number of persons requesting emergency shelter. In both 1992 and 1993, Hennepin County alone experienced a 30% increase in the number of families using temporary housing programs. Greater Minnesota experienced a 313% increase in the number of persons using temporary housing programs during that same time period. *Wilder Research Center, Minnesota Statewide Survey of Persons Without Permanent Shelter, July, 1995.* (This is the most recent comprehensive data on homelessness in Minnesota; a new report will be issued by the Wilder Center in late 1997.)

Transitional housing provides housing for up to 24 months and the supportive services necessary for the residents to become self-sufficient. Transitional housing can assist the welfare system's efforts to move families to self-sufficiency in a relatively short time.

The Publicly Owned Transitional Housing program (POTH) is an integral component of the MHFA's efforts to meet its policy objective of meeting Minnesotan's basic housing needs. The state is addressing the problem of homelessness by assisting in the establishment of a coordinated and comprehensive system of services for homeless and imminently homeless families, individuals, and youth throughout the state, based on HUD's Continuum of Care system. Under a continuum of care system, the elements of outreach, intake, and assessment, emergency shelter, transitional housing, and permanent housing -- including supportive housing -- would be available and coordinated within a community.. The Minnesota Interagency Task Force on Homelessness, a group composed of representatives of all state agencies with responsibility for homelessness programs, has established a process for the development of regional Continuum of Care plans throughout the state. The goal is to ensure that all the components of the continuum of care are accessible to people everywhere in the state.

Twenty-one percent of Minnesota households lack affordable housing and experience a cost burden by spending more than 30% of the household income on housing. *MHFA Needs Assessment, July, 1995.* The cost of developing new rental housing continues to far outstrip wage levels in lower paying and medium paying jobs. The gap between what it cost to develop a modest rental development and the rent a worker in a low paying industry can afford to pay is about \$30 thousand per unit. Given the significant need for additional affordable rental housing units and the limited resources available, it is expected that incidents of homelessness will not dramatically decrease in the near future and the need for transitional housing will continue.

Recently enacted changes in welfare programs have the potential for adversely impacting existing subsidized housing programs and for increasing the number of homeless families and the length of time families are homeless.

PROVIDE A SELF ASSESSMENT OF THE CONDITION, SUITABILITY AND FUNCTIONALITY OF PRESENT FACILITIES, CAPITAL PROJECTS OR ASSETS:

The F.F.Y. 1997 Consolidated Plan and 1996 Agency Performance Report submitted to HUD by MHFA, DES, and DTED found that the supply of permanent supportive housing is not adequate to meet the need for this type of housing. Additional permanent supportive housing options need to be developed in all regions of the state.

Money for the transitional housing program has been included in the last 4 capital bonding legislative sessions. Demand for monies under this program has increased

dramatically in the last 18 months. All of the money appropriated in 1996 for the Publicly Owned Transitional Housing program was committed to projects by the end of August, 1997.

DESCRIBE THE AGENCY'S LONG RANGE STRATEGIC GOALS AND CAPITAL BUDGET PLAN:

The agency has 2 broad policy objectives for all its programs: meeting Minnesota's basic housing needs and strengthening communities. With respect to addressing the problem of homelessness, the goal is to ensure that all the components of the continuum of care are accessible to people everywhere in the state. The strategy is to work to fill the gaps in the continuum of care.

The agency's plan is to increase the number of transitional housing projects in regions of the state where there are inadequate services.

AGENCY PROCESS USED TO ARRIVE AT THESE CAPITAL REQUESTS:

The agency has participated in several processes that all lead to this capital request.

The agency chairs the State Interagency Task Force on Homelessness which is designed to coordinate state homeless programs, provide information to public and private providers of services and housing around the state, and jointly administer the Family Homeless Prevention and Assistance Program. The Task Force has also undertaken an initiative to encourage the development and refinement of regional continuum of care plans. All of the recently submitted regional continuum of care plans identify transitional housing as a priority need.

In the spring of 1997, the agency, along with DTED and DES, conducted a series of 10 public meetings and focus groups around the state to learn about regional housing and community development needs. The meetings were held to aid in the development of the 1998 Consolidated Housing and Community Development Plan. The consolidated plan is an application to receive funding for a variety of HUD grants, including Emergency Shelter Grants. The consolidated plan also serves as a state planning document for housing and community development issues.

The need for affordable housing was cited in all of the meetings. The discussions about affordable housing implied that there would be no homelessness in the participants' "vision community." The lack of supportive housing for people with specific needs was cited by many participants in these meetings as an obstacle to achieving their "vision community." Some participants noted that shelter facilities within a community are needed so that homeless children can stay in their own schools and have some sense of stability. Participants also noted that the lack of transitional housing for people losing housing is an obstacle to achieving their "vision community."

Finally, in July, 1995, the agency completed and released an *Assessment of Minnesota's Housing Needs*. This needs assessment provides a framework for the agency to better target its investment in housing. The purpose of the needs assessment is to identify the challenges in producing affordable housing as well as the importance of tailoring state housing policy to housing needs. The needs assessment confirmed the need for increased affordable housing and transitional housing projects.

AGENCY CAPITAL BUDGET PROJECTS DURING THE LAST SIX YEARS (1992-1996):

\$7.5 million has been appropriated for publicly owned transitional housing and battered women's residences since 1990. All of this money has been either disbursed or committed.

This program has funded projects throughout the state. Among the locations of publicly owned transitional housing projects the Agency has funded are: Aitkin, Backus, Bemidji, Blackduck, Bloomington, Brooklyn Park, Caledonia, Fridley, Jordan, La Prairie, Mankota, Minneapolis, Oakdale, Park Rapids, Red Wing, Rochester, and St. Cloud. At least 170 units of publicly owned transitional housing are being developed with the funds made available since 1990.

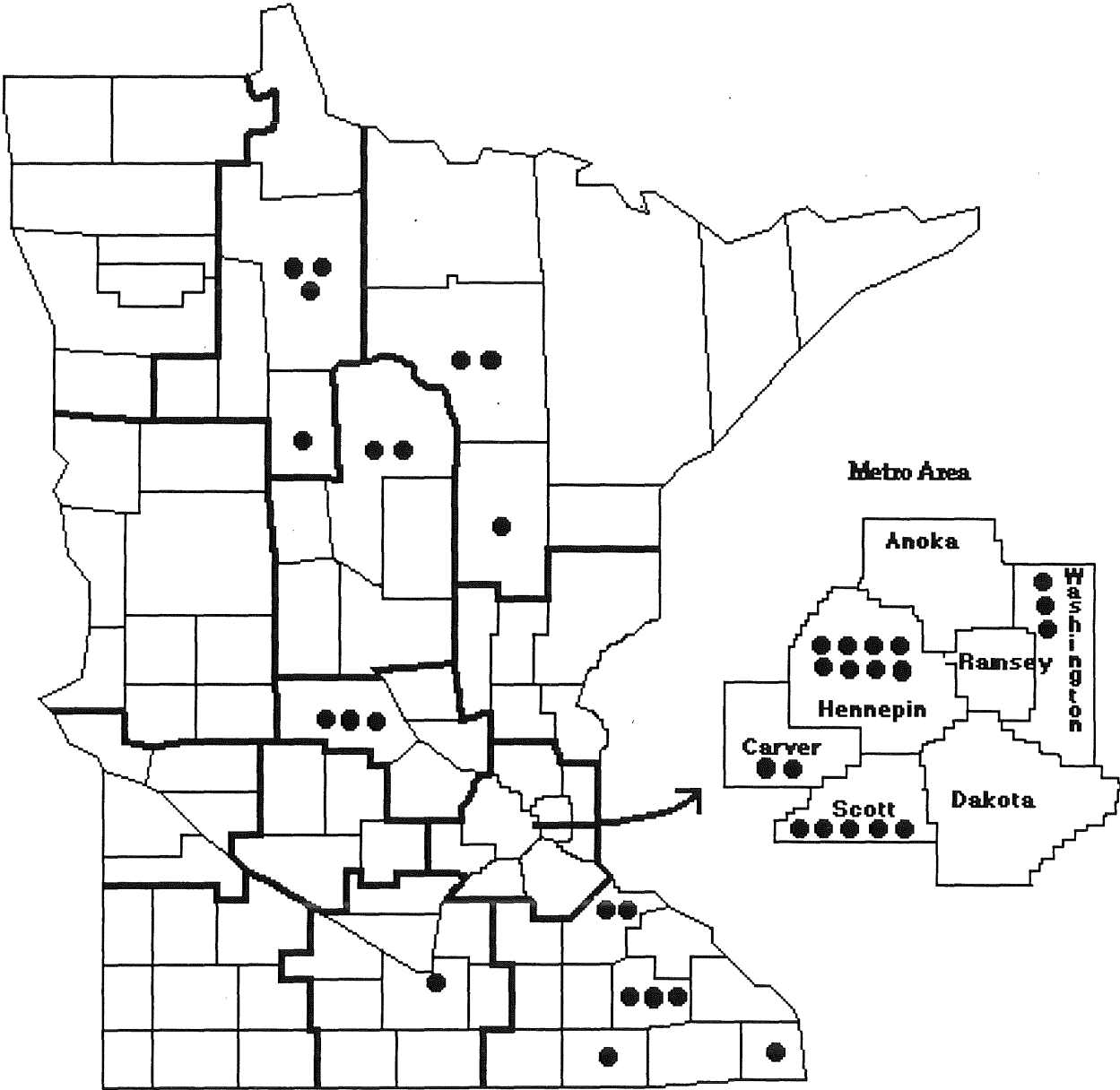
AGENCY CONTACT PERSON, TITLE, AND PHONE

Robert Odman, Director,
Multifamily Division, 296-9821

MINNESOTA HOUSING FINANCE AGENCY

1990-1996

PUBLICLY OWNED TRANSITIONAL HOUSING DEVELOPMENTS



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PROJECT LOCATION: Statewide

AGENCY PROJECT PRIORITY: 1 of 1

1998 STATE APPROPRIATION REQUEST: \$3,500

PROJECT DESCRIPTION: Publicly Owned Transitional Housing

The Publicly Owned Transitional Housing Program provides deferred loans to local units of government in the development, construction, acquisition, improvement, or rehabilitation of housing properties to be used as transitional housing for low or moderate income persons. A large percentage of the population served by projects under this program are battered women and their children. Transitional housing is housing provided for a limited duration not exceeding 24 months and available for occupancy on a continuous 24-hour basis.

Local units of government are eligible to receive program assistance and must own and manage the property or contract with a service provider to operate the transitional housing program for a minimum of 20 years. After 20 years, the loan is deemed paid in full and all restrictions regarding the ownership and operation of the property cease. The property may be sold for fair market value prior to the expiration of the 20 year period, provided that the mortgagor repays the lesser of the net proceeds of the sale or the amount of the loan balance. The local government unit may use the property for a different purpose if the amount of the original loan is repaid.

For projects using funds for acquisition only, funds are disbursed at closing. For projects involving rehabilitation or construction, funds are disbursed when all work has been completed.

PROJECT RATIONALE AND RELATIONSHIP TO AGENCY LONG-RANGE STRATEGIC GOALS AND CAPITAL PLAN:

The Publicly Owned Transitional Housing program is an integral part of how the Agency achieves 3 of its strategic goals. These strategic goals have been approved by the agency's board and are as follows: 1) our work to produce and preserve affordable homes recognizes that housing is an integral part of the human, social and economic fabric of our communities; 2) our investment in housing reflects our responsibility to underserved people; and 3) we achieve our mission in partnership with others through funding, training, technical assistance, education, advocacy,

innovation and communication.

Transitional housing is one element of a continuum of basic housing needs in Minnesota. Transitional housing is designed to assist homeless persons in addressing their needs with the goal of assisting in the movement beyond emergency shelter to more stable, long term affordable housing. Additionally, transitional housing seeks to aid people in reintegrating into their communities through the development of needed skills and the utilization of existing community resources. The Publicly Owned Transitional Housing program has also helped stabilize neighborhoods by using resources to rehabilitate blighted properties. Transitional housing serves battered women, children, persons with disabilities and other special populations. Most of the projects funded under this program combine funding from a variety of sources to complete the project. To date, for every \$1 of Publicly Owned Transitional Housing program monies invested, nearly \$2 of federal, local or private funds have been invested in the projects. Many of the Publicly Owned Transitional Housing projects are a partnership between the local jurisdiction which owns the property and a non-profit organization which operates the program. The Agency is able to facilitate these partnerships by providing needed funding to make the development a reality.

Despite a 54% increase in the number of transitional housing units between 1991 and 1994, there continues to be a need for temporary housing and services to address homelessness. The Wilder Research Center found that between 1991 and 1994, the number of persons in temporary housing increased by 51%. Women and children are the fastest growing segment of the homeless population. The 1995 Wilder Research Center's *Minnesota Statewide Survey of Persons Without Permanent Shelter* found that 65% of the women in temporary housing had at least 1 child. Between 1984 and 1994, there has been a 518% increase in the number of children experiencing homelessness in the Twin Cities metropolitan area and a 318% increase in Greater Minnesota. Forty-three percent of the individuals sheltered and surveyed in the May, 1997 OEO-CFL Quarterly Shelter Survey were children.

25% of the women surveyed for the Wilder Research Center Survey reported that they were homeless due to the need to flee an abusive partner. Battered women's shelters are virtually always full.

Data from the Wilder survey supports findings from other sources that many jobs pay wages that are simply insufficient to meet the costs of available housing.

Twenty-five percent of the homeless surveyed were employed; an increase of 6% since 1991. Thirteen percent of those had full time employment. Fifty percent report having no more than one barrier to employment; this is a significant decline since 1991 in the number of homeless persons who had more than one barrier to employment. Transitional housing can help those with limited barriers to employment become self-sufficient.

In its February, 1997 Quarterly Shelter Survey, the Department of Economic Security reports a 20% increase in the number of person requesting shelter who were turned away due to lack of capacity.

Funding for the program will be available statewide. Individual projects will have regional significance. Individual projects will be funded consistent with the regional continuum of care plans developed by regional committees and with the recommendations of the Interagency Task Force on Homelessness.

The program addresses life safety concerns. Projects serving battered women and their children provide a haven from further abuse. The health and safety of residents is protected by the provision of transitional housing programs.

Funding of this request will result in the development of about 100 units of transitional housing.

PREVIOUS PROJECT FUNDING:

The following is a history of funding for the Publicly Owned Transitional Housing Program.

	(in \$000)
Laws 1990, Chapter 610, Article 1, Section 26	\$1,500
Laws 1992, Chapter 558, Section 11	\$1,000
Laws 1994, Chapter 643, Section 16	\$2,500
Laws 1996, Chapter 463, Section 20	\$2,500

PROJECT CONTACT:

Bob Odman, Director of Multi-Family,
MHFA 296-9821

AGENCY CAPITAL BUDGET REQUEST
Fiscal Years 1998-2003
Dollars in Thousands (\$137,500 = \$138 thousand)

CAPITAL FUNDING SOURCES	Prior Years	FY 1998-99	FY 2000-01	FY 2002-03	TOTAL
State Funds :					
G.O Bonds/State Bldgs	7,500	3,500	3,500	3,500	18,000
State Funds Subtotal	7,500	3,500	3,500	3,500	18,000
Agency Operating Budget Funds	0	0	0	0	0
Federal Funds	1,085	941	941	941	3,908
Local Government Funds	3,285	2,880	2,880	2,880	11,925
Private Funds	2,392	2,100	2,100	2,100	8,692
Other	0	0	0	0	0
TOTAL	14,262	9,421	9,421	9,421	42,525

SOURCE OF FUNDS FOR DEBT SERVICE PAYMENTS (For bond-financed projects)	Amount	Percent of Total
General Fund	3,500	100.0%
User Financing	0	0.0%

IMPACT ON STATE OPERATING COSTS	Current FY 1998-99	Projected Costs (Without Inflation)			
		FY 1998-99	FY 2000-01	FY 2002-03	FY 2004-05
Compensation -- Program and Building Operation	0	0	0	0	0
Other Program Related Expenses	0	0	0	0	0
Building Operating Expenses	0	0	0	0	0
State-Owned Lease Expenses	0	0	0	0	0
Nonstate-Owned Lease Expenses	0	0	0	0	0
Expenditure Subtotal	0	0	0	0	0
Revenue Offsets	0	0	0	0	0
TOTAL	0	0	0	0	0
Change from Current FY 1998-99		0	0	0	0
Change in F.T.E. Personnel		0.0	0.0	0.0	0.0

STATUTORY AND OTHER REQUIREMENTS	
Project applicants should be aware that the following requirements will apply to their projects after adoption of the bonding bill.	
No	MS 16B.335 (1a): Construction/Major Remodeling Review (Legislature)
Yes	MS 16B.335 (1b): Project Exempt From This Review (Legislature)
No	MS 16B.335 (2): Other Projects (Legislative Notification)
No	MS 16B.335 (3): Predesign Requirement (Administration Dept)
No	MS 16B.335 (4): Energy Conservation Requirements (Agency)
No	MS 16B.335 (5): Information Technology Review (Office of Technology)
No	MS 16A.695: Use Agreement Required (Finance Dept)
No	MS 16A.695: Program Funding Review Required (Agency)
Yes	Matching Funds Required (as per agency request)

PREVIOUS STATE CAPITAL APPROPRIATIONS FOR THIS PROJECT (Legal Citations)	Amount
Laws of Minnesota (year), Chapter, Section, Subdivision	
Laws 1996, Chapter 463, Section 20	2,500
Laws 1994, Chapter 643, Section 16	2,500
Laws 1992, Chapter 558, Section 11	1,000
Laws 1990, Chapter 610, Article 1, Section 26	1,500

Department of Administration Analysis:

Predesign does not apply to projects of this nature.

Department of Finance Analysis:

The past 2 bienniums, the Governor's budget has contained \$2.5 million for this program, which has been appropriated. The MHFA has increased its request from \$2.5 million to \$3.5 million. This program has consistently spent a biennial appropriation of \$2.5 million during the scheduled time. Demand for this program has remained steady, if not increasing slightly.

The amount of non-state financing will vary by individual project, ranging from 0 to 90%. The MHFA expects that 65% of the projects will be funded with non-state sources.

The MHFA's Housing Trust Fund program was appropriated \$550 thousand each year from the General Fund for transitional housing construction, which can be used to finance facilities that aren't publicly-owned.

Governor's Recommendation:

The Governor recommends general obligation bonding of \$2.5 million for development of transitional housing properties. Also included are budget planning estimates of \$2.5 million in 2000 and 2002.

STATEWIDE STRATEGIC SCORE		
Criteria	Values	Points
Critical Life Safety Emergency - Existing Hazards	0/700	0
Critical Legal Liability - Existing Liability	0/700	0
Prior Binding Commitment	0/700	0
Strategic Linkage - Agency Six Year Plan	0/40/80/120	120
Safety/Code Concerns	0/35/70/105	70
Customer Service/Statewide Significance	0/35/70/105	105
Agency Priority	0/25/50/75/100	100
User and Non-State Financing	0-100	65
State Asset Management	0/20/40/60	0
State Operating Savings or Operating Efficiencies	0/20/40/60	0
Contained in State Six-Year Planning Estimates	0/25/50	50
TOTAL	700 Maximum	510

AGENCY CAPITAL BUDGET REQUEST
 Fiscal Years 1998-2003
 Dollars in Thousands (\$137,500 = \$138 thousand)

Project Title	1998 Agency Priority Ranking	Agency Project Requests for State Funds (\$ by Session)				Statewide Strategic Score	Governor's Recommendation 1998	Governor's Planning Estimate	
		1998	2000	2002	Total			2000	2002
Battle Point, Leech Lake, Cass County	1	\$3,000	\$0	\$0	\$3,000	225	\$0	\$0	\$0
Total Project Requests		\$3,000	\$0	\$0	\$3,000		\$0	\$0	\$0

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AGENCY MISSION STATEMENT:

The Indian Affairs Council (IAC) is the official liaison between the state of Minnesota government and Minnesota Indian tribal governments. The council is also advisor to the state on urban Indian issues and concerns.

The council was created by the Legislature in 1963. The mission of the IAC, as mandated in statute, is broad in scope but focused in its total support of tribal government operations and the continental identification of issues and concerns that impact the American Indian population throughout the state. These issues include the areas of health, education, welfare and other public support, housing, economic development, protection of the environment, and protection of Indian burial remains and cultural burial sites.

The IAC is governed by the elected tribal chair of the 11 reservations throughout the state, and 2 at large members elected by federally recognized tribal members from other states. The IAC also has an Urban Indian Advisory Council (UIAC).

The ex-officio members of the IAC include the Governor or a member of the governor's official staff, and the Commissioner's of: Children, Families and Learning; Human Services; Natural Resources; Human Rights; Trade & Economic Development; Corrections; Minnesota Housing Finance Agency; Iron Range Resources and Rehabilitation Board; Health; 3 members of the House of Representatives appointed by the Speaker, the 3 members of the Senate appointed by its Subcommittee on Committees.

The IAC serves as the primary forum where Indian needs are considered and serves as the conduit by which issues and concerns are directed to the appropriate authorities; also serves as an intermediary when questions, problems or conflicts exist or arise and brings about change where needed. The agency, acting under direct advisement of the elected representatives, addresses its mission through a variety of activities which include: research, policy and resource development, technical assistance, introduction of legislative initiatives, and provides direct program and fiscal management for other organizations when necessary.

Summary of major programs and services provided by the agency.

The IAC is directly responsible for programming efforts that include the areas of: Indian reburial, burial sites, Indian Business Loans, Indian Economic Opportunity Programs and Special Federal Grants that involve state-wide impact on Minnesota Indians.

TRENDS, POLICIES AND OTHER ISSUES AFFECTING THE DEMAND FOR SERVICES, FACILITIES, OR CAPITAL PROGRAMS:**Indian Burial/Reburial Cultural Resource Program**

The state government of Minnesota, through the IAC, monitors the laws that protect Indian burial remains and those possessions that accompany an Indian burial. Indian burial remains are protected under the "Private Cemeteries Act and Indian Burial Law" (M.S. 307.08). Any willful removal of such remains is a felony.

The IAC works with the Office of the state Archaeologist in carrying out the provisions of M.S. 307.08; those responsibilities include; rescue, identification, protection and reburial of human remains. The council also reviews state Archaeological License applications required to conduct field work for various projects within the state; 183 licenses have been assessed and issued and 491 projects reviewed during 1996.

The council is responsible and coordinates the identification and authentication of human remains and burial sites. The council performs the reburial of Indian remains found in Minnesota; under the guidance of traditional and spiritual advisors who maintain the dignity and integrity of each burial in accordance with Indian religion and culture. During the past year, 75 burial sites were investigated/authenticated.

*Minnesota Native American Reburial Project (MNARP)
Federal Native American Graves Protection and Repatriation Act (NAGPRA)*

MNARP began in F.Y. 1991, with special legislative funding to the Minnesota Indian Affairs Council. The purpose of the project was 4-fold: 1) to identify American Indian human remains existing in the collections of various institutions in the state; 2) to create an inventory and data base of all available information (reports, notes, references, sites, etc.) regarding American Indian human remains and associated burial items previously exhumed in the state; 3) identify individuals and prepare the human remains and burial items for Reburial; and 4) arrange Reburial ceremonies.

The first objective was the development of an inventory of the remains to properly establish tribal identification. Priorities for Reburial were established as well as securing the various burial sites. The intent of the reburials is to address issues of identification in the most expeditious manner so that the remains are reinterred as soon as possible to their appropriate locations.

The council works with the archaeological and anthropology scientific communities in an effort to identify these remains and return them to the proper Indian communities, for Reburial. The council works with spiritual people in sensitizing other agencies and organizations in the proper way to handle remains and possessions which show respect for the deceased.

The Federal Law NAGPRA, Public Law 101.601; will help enforce the IAC's responsibilities to protect Minnesota Indian burial sites and return Indian human remains and burial goods to their rightful tribal affiliations. The purpose of this new federal law is to return certain objects to tribes which should never have left those tribes. These 4 categories include: 1) human remains and associated grave goods; 2) unassociated funerary objects; 3) sacred objects that could be used by traditional religious practitioners; and 4) objects of cultural patrimony (i.e. wampum belts, etc.). These efforts to return Indian materials to their proper Indian tribes will be coordinated by the council.

Because of the Federal Law NAGPRA, Minnesota's plans for Reburial of Indian remains has been to refocus efforts toward completing the required federal inventory of all human remains currently held by the Minnesota Indian Affairs Council and contacting probably descendant population. MIAC submitted a proposal to the U.S. Department of the Interior, National Park Service, for \$72 thousand to complete the responsibilities mandated by NAGPRA. The grant has been approved and the funds have been received by the MIAC; to complete inventory of the remains of 1,100 individuals.

The primary focus of the IAC will be to inform and educate the public about the law, proper handling and protection of Indian remains and proper procedures to follow when sites are accidentally uncovered or discovered.

PROVIDE A SELF-ASSESSMENT OF THE CONDITION, SUITABILITY, AND FUNCTIONALITY OF PRESENT FACILITIES, CAPITAL PROJECTS, OR ASSETS:

This request is to build an educational museum/interpretive center, develop burial mound and Battle Point interpretive sites and establish nature trails connecting these historic places on Leech Lake in Cass County. There are none of these requested facilities currently at this site. The burial mounds continue to deteriorate and the historic significance of the area not recognized. The construction of these facilities is a reasonable way to preserve this historic area and to be able to present its story to visitors and non-Indian people.

This 1998 capital budget request will complete this project and no future requests are planned.

These building facilities will be owned by the state of Minnesota, built on land leased by the IAC from the Leech Lake Tribal Council under a ground lease having an initial term of at least 20 years and a total term of at least 40 years, including renewal options.

The facilities will be operated and maintained by the Leech Lake Tribal Council under contract with the IAC who will have the legal custodial control over these facilities.

DESCRIBE THE AGENCY'S LONG-RANGE STRATEGIC GOALS AND CAPITAL BUDGET PLAN:

A strategic plan of the IAC is to continue to serve as the official conduit by which specific Indian Tribal issues and concerns are directed to the appropriate offices of state government and then act as intermediary between tribal and state governments.

The IAC is also charged with the responsibility for identifications and preservation of Indian burial sites and using these sites to promulgate Indian history and culture to non-Indian peoples.

This request for capital development of the Battle Point historic site carries-out these IAC commitments, while allowing the full participation of the local Leech Lake Band to preserve and educate others on their history and culture.

This facility will be operated within the current IAC's Indian Burial/Reburial Cultural Resource program and existing operating budget.

AGENCY PROCESS USED TO ARRIVE AT THESE CAPITAL REQUESTS:

Planning for the development of the Battle Point Historic site began more than 10 years ago. The Leech Lake Band, in collaboration with the Minnesota Historical Society, gathered historical evidence of the significance of Battle Point; both to the facts of the 1898 battle and the remains of centuries old Indian cultures at the site.

The Minnesota Historical Society requested and received the following appropriation:

1990 - Pre-design \$50 thousand
 1994 - Design - \$350 thousand
 1996 - Capital Improvement - \$500 thousand

The pre-design was completed in 1995, the design contract has been awarded and the \$500 thousand capital improvement appropriation will be requested to be combined with this 1998 request to complete final construction of this project.

See the pre-design document and project narrative form for more details of methodologies used for data collection and this request preparation.

Architectural Resources Inc. (ARI) of Hibbing, Minnesota prepared the pre-design, design plans and cost estimates. ARI has held numerous meetings and work shops since 1994 with the local Leech Lake Indian Communities living near the proposed facility. ARI used the surveys of the ideas and opinions generated by these meetings and prepared the pre-design and design plans incorporating the ideas

solicited from the neighboring Indian people.

**AGENCY CAPITAL BUDGET PROJECTS DURING THE LAST SIX YEARS
(1992-1997):**

This is the first involvement of the IAC in a capital project. The council has relied on the Department of Administration, Building Construction Division, for the technical, administrative and professional support for the completion of the design plans. It is planned that this arrangement will continue for the final construction phase and the expertise of the Department of Administration staff will direct the completion of this project.

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PROJECT LOCATION: Leech Lake, Cass County

the Battle Point Site.

AGENCY PROJECT PRIORITY: 1 of 1

September, 1988 LLTC designates Battle Point as a significant historic and cultural site.

1998 STATE APPROPRIATION REQUEST: \$3,000

Winter of 1989-1990 - Ojibwe Language Story Telling Sessions were presented in several reservation communities. Traditionally, many stories of the Ojibwe culture are only told by elders during winter months.

PROJECT DESCRIPTION:

Development of the Battle Point Historic site includes the construction of a educational museum/interpretive center, preservation of Indian burial sites, burial mounds and battle field interpretive sites and woodland nature trails.

December, 1989 - Final report of activities and research completed under the Leech Lake Indian History Grants-in-Aid Project (LCMR). This report represents the first comprehensive compilation of historical and archaeological material pertaining to the Battle Point Site, including documentation, field survey reports and description of several economic development options for the site.

A 1990 appropriation of \$50 thousand has financed a pre-design document completed in April 1995 which details the scope of the project and site maps of the proposed development of the Battle Point site.

June, 1990 - An application was submitted for Battle Point's nomination to the National Register of Historic Places. Subsequently, the nomination was published in the 7-17-90 Federal Register. Public comments were to be received by 8-1-90.

The Battle Point educational museum/interpretive center building of 20 thousand square feet will include on the lower level a large exhibit area to tell the story, in permanent display, of the history and culture of Battle Point from the perspective of the Indian community. The rotunda will be an area for films or live enactments of components of the culture and history of the area. There will be a large dividable classroom set up for educational use. An artifact/archival area is included to accommodate presentation of archeological items and studies of this site.

July, 1990 - A project funded through the U.S. National Parks Service was initiated to develop and adopt a historic preservation plan for the Leech Lake Reservation and a historic preservation ordinance. In addition to developing a comprehensive plan and preparing an ordinance for Tribal Council enactment, other aspects of the project include mapping historic sites and cataloging current holders of Indian artifacts in preparation for retrieving those native to Leech Lake.

The second level, includes additional exhibit area with viewing to below and an observation deck intended to overview the site with documentaries of the site, identifying its historic and archeological significance.

Fall, 1990 and Winter, 1990-1991- Several community meetings were held at Sugar Point to receive public input regarding Battle Point Site commemorative development options and to form a local committee to oversee planning and development activities.

An old logging road will be used for access to the building which is off the historic district but near enough to allow development of walking nature trails through the historic places. Indian grave sites will be preserved and memorialized as the project develops, while allowing the public to tour, appreciate and study Indian culture.

March, 1991 - LLTC Planning Division staff and several Battle Point Planning Committee members spent a day at Mille Lacs Reservation collecting information and advice from Mille Lacs Indian Museum staff and tribal leaders.

This center and programs run through the center will be open to the public. The users of this facility will be the public and their education of the historic battle fought here and the Indian culture of the area will be the projects' goal.

April, 1991 - A lease was prepared between the LLTC and the Minnesota Council of Indian Affairs to obtain their (Council of Indian Affairs) administrative involvement in existing and future state appropriations for site planning and capital development.

PROJECT RATIONALE AND RELATIONSHIP TO AGENCY LONG-RANGE STRATEGIC PLAN AND CAPITAL PLAN:

Milestones in the 10 year planning of the Battle Point Cultural and Education Center.

The LLTC recognizes that it must develop its own set of policies, rules and generally develop its capability to protect, care for, and interpret its archaeological and historical past, and to understand its culture in the light of the present. A building is a necessary part of providing the required care for the objects of the past that tell the history and shed light on the future of Leech Lake. But even more important than the building, the council recognizes the need to develop and perfect the capabilities of Leech Lake people to provide the necessary technical expertise to manage such

Summer of 1985 - Oral interviews with tribal elders conducted. Leech Lake Tribal Council (LLTC) staff recorded interviews with 10 tribal elders regarding their memories of the 1898 military engagement between Indians and the U.S. Military at

a facility themselves. The Battle Point Historic District is listed in state law under historic places. (M.S. 138.664, Sec. 4, Subd. 8)

List of State Appropriations made for the Battle Point Historic Site

- 1990 \$50 thousand appropriation to the IAC to prepare preliminary plans for an interpretive center at the Battle Point historic site in Cass County on the Leech Lake Indian Reservation.
- 1992 Transferred the \$50 thousand appropriation to the Historical Society.
- 1994 \$350 thousand appropriation to the Historical Society for construction of the Battle Point historic site interpretive center.
- 1995 Changed the \$350 thousand appropriation purpose from construction to design.
- 1996 \$500 thousand appropriation for a grant to a Independent School District No. 115, Cass Lake-Bena for capital improvements at the Battle Point historic site.
- 1997 Transferred the 1995 appropriation of \$350 thousand from the Historical Society to the IAC. Changed ownership of the proposed educational center from the Cass Lake-Bena school district to the state with custodial control assigned to the IAC.

IMPACT ON STATE AGENCY OPERATING BUDGETS (FACILITIES NOTE):

As custodian of this facility, the IAC will be able to handle this responsibility within its current budget and personnel complement. The operation and maintenance of this facility will be contracted so as these costs will be the responsibility of the Leech Lake Tribal council.

PROJECT CONTACT PERSON, TITLE, ADDRESS, PHONE, FAX, AND E-MAIL:

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AGENCY CAPITAL BUDGET REQUEST
Fiscal Years 1998-2003
Dollars in Thousands (\$137,500 = \$138 thousand)

TOTAL PROJECT COSTS All Years and All Funding Sources	Project Costs All Prior Years	Project Costs FY 1998-99	Project Costs FY 2000-01	Project Costs FY 2002-03	Project Costs All Years	Project Start (Month/Year)	Project Finish (Month/Year)
1. Property Acquisition							
Land, Land and Easements, Options	\$0	\$0	\$0	\$0	\$0		
Buildings and Land	0	0	0	0	0		
SUBTOTAL	0	0	0	0	0		
2. Predesign							
SUBTOTAL	50	0	0	0	50	01/1987	04/1995
3. Design Fees							
Schematic	48	0	0	0	48	12/1997	01/1998
Design Development	65	0	0	0	65	01/1998	02/1998
Contract Documents	129	0	0	0	129	02/1998	03/1998
Construction Administration	0	80	0	0	80	04/1998	09/1999
SUBTOTAL	242	80	0	0	322		
4. Project Management							
State Staff Project Management	0	0	0	0	0	04/1998	04/1999
Construction Management	0	40	0	0	40		
Other Costs	58	0	0	0	58		
SUBTOTAL	58	40	0	0	98		
5. Construction Costs							
Site & Building Preparation	150	686	0	0	836	04/1998	08/1999
Demolition/Decommissioning	0	0	0	0	0		
Construction	0	1,755	0	0	1,755		
Infrastructure/Roads/Utilities	350	0	0	0	350		
Hazardous Material Abatement	0	0	0	0	0		
Construction Contingency	0	180	0	0	180		
SUBTOTAL	500	2,621	0	0	3,121		
6. Art							
SUBTOTAL	0	30	0	0	30	04/1999	08/1999
7. Occupancy							
Furniture, Fixtures and Equipment	0	75	0	0	75	04/1999	09/1999
Telecommunications (voice & data)	0	10	0	0	10	04/1999	04/1999
Security Equipment	0	30	0	0	30	04/1999	04/1999
Commissioning	0	10	0	0	10	07/1999	09/1999
SUBTOTAL	0	125	0	0	125		
8. Inflation							
Midpoint of Construction		06/1998					
Inflation Multiplier		3.60%	0.00%	0.00%			
Inflation Cost		104	0	0	104		
SUBTOTAL		104	0	0	104		
9. Other							
SUBTOTAL	50	0	0	0	50		
GRAND TOTAL	\$900	\$3,000	\$0	\$0	\$3,900		

AGENCY CAPITAL BUDGET REQUEST
Fiscal Years 1998-2003
Dollars in Thousands (\$137,500 = \$138 thousand)

CAPITAL FUNDING SOURCES	Prior Years	FY 1998-99	FY 2000-01	FY 2002-03	TOTAL
State Funds :					
G.O Bonds/State Bldgs	900	3,000	0	0	3,900
State Funds Subtotal	900	3,000	0	0	3,900
Agency Operating Budget Funds	0	0	0	0	0
Federal Funds	0	0	0	0	0
Local Government Funds	0	0	0	0	0
Private Funds	0	0	0	0	0
Other	0	0	0	0	0
TOTAL	900	3,000	0	0	3,900

SOURCE OF FUNDS FOR DEBT SERVICE PAYMENTS (For bond-financed projects)	Amount	Percent of Total
General Fund	3,000	100.0%
User Financing	0	0.0%

IMPACT ON STATE OPERATING COSTS	Current FY 1998-99	Projected Costs (Without Inflation)			
		FY 1998-99	FY 2000-01	FY 2002-03	FY 2004-05
Compensation -- Program and Building Operation	0	0	0	0	0
Other Program Related Expenses	0	0	0	0	0
Building Operating Expenses	0	0	0	0	0
State-Owned Lease Expenses	0	0	0	0	0
Nonstate-Owned Lease Expenses	0	0	0	0	0
Expenditure Subtotal	0	0	0	0	0
Revenue Offsets	0	0	0	0	0
TOTAL	0	0	0	0	0
Change from Current FY 1998-99		0	0	0	0
Change in F.T.E. Personnel		0.0	0.0	0.0	0.0

STATUTORY AND OTHER REQUIREMENTS	
Project applicants should be aware that the following requirements will apply to their projects after adoption of the bonding bill.	
Yes	MS 16B.335 (1a): Construction/Major Remodeling Review (Legislature)
No	MS 16B.335 (1b): Project Exempt From This Review (Legislature)
No	MS 16B.335 (2): Other Projects (Legislative Notification)
Yes	MS 16B.335 (3): Predesign Requirement (Administration Dept)
Yes	MS 16B.335 (4): Energy Conservation Requirements (Agency)
No	MS 16B.335 (5): Information Technology Review (Office of Technology)
Yes	MS 16A.695: Use Agreement Required (Finance Dept)
Yes	MS 16A.695: Program Funding Review Required (Agency)
No	Matching Funds Required (as per agency request)

PREVIOUS STATE CAPITAL APPROPRIATIONS FOR THIS PROJECT (Legal Citations)	Amount
Laws of Minnesota (year), Chapter, Section, Subdivision	
1997 246 - Sec. 23, Subd.8 (transfer to IAC \$350 design)	0
1996 463 - Sec. 22, Subd.7	500
1996 463 - Sec. 51 (Amend)	0
1995 First Special Session, Chap.2, Art.1, Sec.45 (Amend to Design)	0
1994 643 - Sec. 19, Subd.8	350
1990 610 - Art. 1, Sec. 17- Predesign (transfer to MHS 1992, 558-24-5)	50
1992 558 - Sec. 24, Subd.5 (transfer to MHS)	0

Department of Administration Analysis:

A predesign document is in the process of being developed; and a recommendation will be issued upon completion.

Department of Finance Analysis:

The Historical Society has received three appropriations for this project since 1990 totalling \$900 thousand. The original appropriation of \$50 thousand has been used for preliminary plans. An appropriation in the amount of \$350 thousand for design purposes was transferred by the 1997 legislature to the Indian Affairs Council. A 1996 appropriation for \$500 thousand to the Historical Society for a grant to the Cass Lake-Bena school district for capital improvements at the Battle Point historic site continues to reside in the Historical Society. However, the 1997 legislature changed the ownership from the school district to the Indian Affairs Council.

The request is viewed primarily as local benefit project. As such, the Department of Finance recommends a minimum of 50% non-state funds to offset project costs. The Indian Affairs Council is urged to seek local contributions.

Governor's Recommendation:

The Governor does not recommend capital funds for this project.

STATEWIDE STRATEGIC SCORE		
Criteria	Values	Points
Critical Life Safety Emergency - Existing Hazards	0/700	0
Critical Legal Liability - Existing Liability	0/700	0
Prior Binding Commitment	0/700	0
Strategic Linkage - Agency Six Year Plan	0/40/80/120	40
Safety/Code Concerns	0/35/70/105	0
Customer Service/Statewide Significance	0/35/70/105	35
Agency Priority	0/25/50/75/100	100
User and Non-State Financing	0-100	0
State Asset Management	0/20/40/60	0
State Operating Savings or Operating Efficiencies	0/20/40/60	0
Contained in State Six-Year Planning Estimates	0/25/50	50
TOTAL	700 Maximum	225

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AGENCY CAPITAL BUDGET REQUEST
Fiscal Years 1998-2003
Dollars in Thousands (\$137,500 = \$138 thousand)

Project Title	1998 Agency Priority Ranking	Agency Project Requests for State Funds (\$ by Session)				Statewide Strategic Score	Governor's Recommendation 1998	Governor's Planning Estimate	
		1998	2000	2002	Total			2000	2002
Historic Sites Network - Asset Preservation	1	\$3,693	\$2,592	\$1,524	\$7,809	470	\$2,000	\$2,000	\$2,000
County and Local Historic Preservation Grants	2	1,000	1,000	1,000	3,000	425	1,000	1,000	1,000
St. Anthony Falls Heritage Zone Orientation Center	3	9,945	0	0	9,945	249	0	0	0
North West Company Fur Post Development	4	3,148	0	0	3,148	260	0	0	0
Split Rock Lighthouse Visitor Center Addition	5	783	0	0	783	275	783	0	0
Historic Fort Snelling Site Improvements	6	591	2,145	0	2,736	300	0	0	0
State Capitol Furnishings Restoration	7	165	150	150	465	185	0	0	0
Oliver Kelley Farm Maintenance Building	8	429	0	0	429	205	0	0	0
Heritage Trails	9	267	229	317	813	165	0	0	0
Split Rock Lighthouse Barn Reconstruction		0	0	138	138		0	0	0
History Center Parking Ramp		0	650	6,485	7,135		0	0	0
Historic Forestville Development, Visitor Center		0	450	0	450		0	0	0
History Center Facilities for Storage Area		0	100	1,000	1,100		0	0	0
St. Anthony Falls Heritage Zone Implementation		0	2,000	2,000	4,000		0	0	0
Sibley Historic Site Preservation and Repair		0	500	500	1,000		0	0	0
Total Project Requests		\$20,021	\$9,816	\$13,114	\$42,951		\$3,783	\$3,000	\$3,000

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AGENCY MISSION STATEMENT: The Minnesota Historical Society (MHS) is the oldest educational/cultural institution in the state, having been chartered by the first legislature of the Minnesota Territory in 1849.

MISSION

The mission of the Minnesota Historical Society is to foster among people an awareness of Minnesota history so that they may draw strength and perspective from the past and find purpose for the future.

This mission is carried out by: Providing opportunities for people of all ages to learn about the history of Minnesota; collecting and caring for materials that document human life in Minnesota, making them known and accessible to people in Minnesota and beyond; and encouraging and doing research in Minnesota history.

The Minnesota Historical Society is governed by an Executive Council of 30 members responsible for establishing major policies and monitoring the quality of its programs and services. The Council also performs duties mandated by the legislature under M.S. Chap. 138 and various session laws.

TRENDS, POLICIES AND OTHER ISSUES AFFECTING THE DEMAND FOR SERVICES, FACILITIES OR CAPITAL PROGRAMS:

A. Asset Preservation. Historic resources are like natural resources in that if lost they cannot be replaced. Absent a carefully planned capital investment strategy, Minnesota's historic resources will not survive to be enjoyed by future generations. The Society's 32 historic sites include land, trails, buildings, infrastructure, and exhibits; they are textbook examples of the problems associated with the "capital iceberg." The factors contributing to the iceberg are magnified in the sites network, not only because of age, but because of the long-term environmental effects on construction materials and techniques used at the time these structures were built.

Historic sites are recognized by statute as important public resources worth preserving. The "Minnesota Historic Sites Act" (M.S. 138.661-138.669), confers upon the Minnesota Historical Society the control and responsibility for preserving, developing, interpreting and maintaining the sites for public use and benefit.

B. Public Demand and Attendance. The state historic sites network is in its third decade of heavy use by patrons. Since the early 1980s when the Society's budget was reduced by more than \$2.1 million as a result of a downturn in state resources, the upkeep and repair of the 115 structures at the 32 state historic sites have suffered. Limited financial resources have forced the deferral of important restoration activities. Heavy public use (averaging over 600 thousand visitors for the past few years) coupled with ongoing environmental factors have created visible and

substantive wear and tear on the structures within the state historic sites system. Renewed marketing efforts have helped with overall historic sites attendance (the most recent fiscal year saw a 16.5% increase). However, this increased use will also increase wear and tear on sites facilities.

HISTORIC SITES ATTENDANCE

1989	630,374	1995	554,130
1990	673,950	1996	645,365
1991	670,628	1997	682,282
1992	574,535	1998	730,000 est.
1993	577,000	1999	767,000 est.
1994	524,078	2000	844,000 est.

C. The Changing Nature of Education. Education is no longer seen solely as a classroom-based function. Now, and into the next century, education will be less defined by formal structure; learning will be recognized as a life-long activity that will take place in many non-traditional settings. The state's historic sites and the Minnesota History Center are places where citizens will actively practice this evolving educational philosophy and learn about our common history. For example, annually, twice as many people are doing research in the History Center than did in the old facility. The new information technologies will enable individuals and institutions including state agencies, other museums, schools, libraries and anyone with a connection to the Internet to access the vast resources contained within the Minnesota Historical Society.

D. Leveraged Funding through Partnerships. State funds can often be leveraged far beyond the initial appropriation. For instance, Intermodal Surface Transportation Efficiency Act (ISTEA) provides four federal dollars for each state dollar. Relatively small grants to local historical organizations not only generate matching funds, but also result in volunteer work and commitment by the citizenry. The Society's Development Office constantly seeks funding from corporations, foundations, estates, and individuals to further its mission and capitalize on the programmatic benefits.

E. Acquisition of New Sites. During the 1996-97 biennium, title to the Sibley Historic Site was transferred to the State of Minnesota under the management of the Historical Society. This site has not yet been subject to the master planning process and the total extent of needed funding is unknown. We know that at least \$1.2 million will be needed to stabilize and preserve the structures at the Sibley site. \$500 thousand of this amount was appropriated in the 1994 capital bonding bill. Volunteers have operated the Sibley historic site for the past 80 years with only minimal interpretation and related operating costs. An appropriate level of operating costs, estimated to be \$250 thousand per year, will be included in subsequent budget requests.

F. Economic Impact. Historic sites are one of the primary reasons why tourists or visitors come to Minnesota. Economic impact studies indicate that millions of dollars flow into the state from historic site visitors.

G. State and Federal Policies. The Capital Asset Preservation and Replacement Account (CAPRA) administered by the state Department of Administration under M.S. Chapter 16 has limited applicability to the MHS properties and projects. CAPRA funds administered by the Department of Administration apply only to state-owned buildings. However, 14 of the sites in the sites network are owned exclusively by the Society. The Society receives direct appropriations for repair and replacement for buildings under its ownership. Additionally, the 1990 Americans With Disabilities Act requires facility and program adaptations.

H. Diversity. The Society recognizes the importance of properly reflecting the role and contributions of the state's diverse population in its sites and exhibits. For example, operating and interpreting sites that describe the Native American experience (Fort Snelling, Lower Sioux Agency, Grand Mound, Mille Lacs) are essential if we are to portray Minnesota's past accurately and completely.

I. Technology Implications. The Minnesota Historical Society is one of the state's largest and most significant repositories of historic and governmental information in its many forms. Information collection, documentation and retrieval has been and will continue to be an integral function of the Society. To that extent the Society has created a wide variety of research and finding aids.

Technology is making available new experiences not previously imagined. The "virtual tour" of historic sites, online access to the Society's collections, school classroom interactive demonstrations and workshops, and access to information on historic preservation grants could all be achieved with sufficient levels of funding. Rather than providing a substitute for visits to historic sites, such a larger exposure of these historic facilities will actually increase demand on historic sites.

PROVIDE A SELF-ASSESSMENT OF THE CONDITION, SUITABILITY AND FUNCTIONALITY OF PRESENT FACILITIES, CAPITAL PROJECTS OR ASSETS:

The Historical Society estimates the total scope of its deferred maintenance/asset preservation/capital improvement need for the next 6 years to be approximately \$32 million, including restoration of facilities and updating and replacement of obsolete and worn out exhibits.

HISTORIC SITE FACILITIES

Since the enactment in 1965 of the state's historic sites program, the Society has pursued a planned, progressive approach to acquiring, developing, interpreting and preserving historic sites. The Society owns or administers a network of:

- 32 sites, comprising
- 115 significant historical structures, totaling
- 437,977 square feet of interior space.
- Most of these structures were built in the 19th Century.

The very nature of 115 varied facilities, most of which are over 100 years old, makes it impossible to provide a single assessment of "physical condition, suitability and functionality" of the historic sites network, which includes many of the state's oldest and most fragile structures.

The historic relevance and importance of the state's historic sites coupled with their educational value cannot be disputed but century old buildings are in need of varying but substantive levels of stabilization, restoration and preservation. Every component of the historic sites network is part of the capital iceberg. In constant need of cosmetic/surface attention (paint, windows, carpeting), many components of their infrastructure (roofs, foundations, support members, access and egress routes, utilities) are in need of immediate attention. Without that attention, these historic resources will deteriorate beyond repair.

Preserving historic facilities that contain unique and expensive architectural features or time-specific construction techniques (Hill House copper gutters, log structures, Capitol furnishings and artworks) require capital funds that are greater than that of contemporary buildings.

STATE CAPITOL

Pursuant to 1987 Minnesota Session Laws (M.S. 138.67 to .69) the Society is responsible for "Works of Art" throughout the Capitol. The law defines such works as "paintings, portraits, mural decorations, stained glass, statues and busts, bas-relief, ornaments, furniture, plaques, and any other article or structure of a permanent character intended for decoration or commemoration placed in the Capitol in 1905 or placed subsequently for historic purposes or decoration."

EXHIBITS AND ARTIFACTS

The steady stream of patrons who visit the historic sites take a toll on structures, exhibits, audio-visual equipment and artifacts. Exhibits require periodic restoration and refurbishing to keep them presentable for public use. If they are not regularly refurbished, they become dirty, damaged, and unsightly.

New technologies and contemporary design concepts make exhibits outdated. As society and the attitudes of its people change, so do views of the past. New social sensitivities and different perspectives arise causing exhibits to become intellectually obsolete. Original exhibits containing over 19,300 artifacts are now long overdue for

replacement:

HISTORIC SITES EXHIBITS (\$ in 000s)

Site	Condition	Age of Exhibit in Years	Total sq. ft.	Estimated Cost to Refurbish
Forest History Center	Fair	17 yrs	5,420	\$460
Fort Ridgely	Poor	23 yrs	1,911	362
Grand Mound	Poor	21 yrs	2,683	871
Fort Snelling:				
History Center	Fair	14 yrs	7,175	1,076
Long Barracks	Poor	20 yrs	4,280	1,284
Officers Qtrs.	Poor	17 yrs	1,850	555
Hospital Bldg.	Fair	19 yrs	799	120
Jeffers Petroglyphs-Spring 1998			1,500	-0-
Lac Qui Parle Mission	Poor	15 yrs	840	84
Lindbergh House	Poor	25 yrs	3,282	1,242
Lower Sioux Agency	Poor	25 yrs	2,220	666
Mille Lacs (New in May '96)	Excellent		6,500	0
North West Co. Fur Post:				
Existing Fur Post	Poor	28 yrs	201	30
New Visitors Center	Pending		2,500	-0-
Oliver Kelley Farm	Poor	16 yrs	3,200	1,038
Split Rock Lighthouse	Good	12 yrs	4,500	450
Historic Forestville	Good	6 yrs	1,000	100
James J. Hill House	Good			350
Alexander Ramsey House	Fair	26 yrs	1,707	171
Upper Sioux Agency		26 yrs	1,100	200
LeDuc House			<u>2,500</u>	<u>750</u>
Total			55,168	\$9,809

GRANTS-IN-AID

The Grant-in-Aid program was initiated in 1969. One of its primary objectives is to shift a significant portion of the state's historic preservation goals to the local level. The state benefits from this program in two ways: first, state funds are matched by local/regional sources. Second, the projects are often completed by local people who volunteer their time, talents and involvement.

MARKERS AND MONUMENTS

The overall condition of the 170 state markers and 29 monuments is fair. Services required by the markers include preservation coating of bronze markers, casting of new markers, and foundation stabilization. Most urgently in need of ongoing maintenance

and repair are the 29 state monuments; several of these large stone structures require tuck-pointing, replacement of granite blocks, and foundation stabilization. Sixty-five markers are at highway and interstate rest areas. Hundreds of thousands of people use Minnesota's highway system rest areas, and pause to read these markers. In this way, travelers from other states and countries, as well as citizens of Minnesota, learn about the state's rich historic heritage.

MINNESOTA HISTORY CENTER

The 1992 opening of the 427 thousand gross square foot History Center on nine acres of land in the Capitol Complex provided Minnesotans with an appropriate facility to showcase, preserve and use the state's historic resources. Attendance at the History Center has exceeded initial projections by about 40%. Since opening a total of 1.4 million individuals have visited the History Center.

The Center has museum exhibits, demonstrations, workshops, lectures, and seminars designed for visitors of all ages and diverse interests. A broad range of educational and entertaining programs tell the story of Minnesota's people from earliest times to the present. Programs for school children are further enriched by hands-on activities in specially designed classrooms.

In the reference area, visitors enjoy access to the state Archives and to the Society's library, manuscript, newspaper, audio-visual, map, art and artifact collections. Environmentally controlled storage facilities enable staff to care for and preserve the collection of nearly 1 million artifacts (including 950 thousand archaeological artifacts). New information technologies will allow the Society to make its resources accessible to those not able to visit the Center and to other institutions including more than 300 county and local historical organizations throughout the state.

DESCRIBE THE AGENCY'S LONG-RANGE STRATEGIC GOALS AND CAPITAL BUDGET PLAN:

In 1996 the Minnesota Historical Society engaged in a comprehensive long range planning process. With the assistance of an internationally known consultant in the museum/arts field the Society's Board of Directors established institutional priorities and programmatic emphasis. Four overriding goals resulted:

1. Rethink and revitalize the state's historic sites network;
2. Serve larger audiences, especially families, senior citizens, and school children with programs and services of the highest quality;
3. Increase services to people living beyond the Twin Cities metropolitan area;
4. Expand services to Minnesota's elementary and secondary schools.

These broad based, institution-level goals are the basis on which this capital request is based. Additional initiatives incorporated into this capital request are listed below

and augment the four major goals that resulted from the strategic planning process.

A. Preserve Existing Assets While Completing Site Development. This initiative is to increase the preservation and use of existing capital assets while continuing to strive toward completion of those sites that are not yet fully developed. Development of the state's historic sites system first began in 1965.

B. Increase Public Access. The Society's strategic plan addresses the need to develop programs for the increasingly diverse audiences the Society anticipates serving in the next few decades. This initiative also relates to user safety and comfort by addressing structural needs and ADA related improvements.

C. Limit Additions to Operating Costs. In developing this capital plan, the highest priority was placed on identifying preservation projects that can be accomplished without major increases in operating costs. The Society recognizes that state funds are limited. Therefore, the majority of these capital budget request are directed at critical needs of historic sites, exhibits, markers and monuments, and critical grant-in-aid opportunities that will not put future strain on the state's general fund. Priority one of this budget plan is preserving the investment already made in the state's historic sites, primarily at those with operating budgets already in place.

D. Leverage Non-State Funding. This initiative recognizes the inherent benefits of developing all appropriate sources of support and revenue. A key element in this request is that the state should take advantage of federal ISTEA funding opportunities. Each state dollar can leverage 4 federal dollars.

E. Prior Legislative Commitment. The Society has made a commitment to historic sites and resources that are a part of legislative action such as the Historic Sites Act of 1965 and the Historic Sites Act of 1993, Heritage Preservation Zone legislation, or the Outdoor Recreation Act of 1975. The Society has tried to reflect the intent of such legislation.

AGENCY PROCESS USED TO ARRIVE AT THESE CAPITAL REQUESTS:

The process the Society's management team used to develop these requests began with the identification of all appropriate needs. This list of needs was strongly influenced by a report prepared for the Society by CPMI, Inc., a consultant used by the Society for asset preservation, site development and construction/renovation purposes. A series of meetings was held with staff to develop this information. These needs were then put in priority order. The Society's management team next met with the state departments of Finance and Administration to secure their input and counsel. The request was brought before the Society's Executive Council and approved at their September 1997 meeting.

AGENCY CAPITAL BUDGET PROJECTS DURING THE LAST SIX YEARS (1992-1997):

During the past 6 years, the Minnesota Historical Society has completed a number of significant projects. The construction management of these projects is done by Society staff, board-designated committees, and professional construction management firms with appropriate assistance from the state departments of Finance and Administration.

Significant projects completed are:

- Planning for the North West Company Fur Post, including site improvements (6/93). Funding for this project was provided through L.C.M.R. funds (\$250 thousand) and through state bond proceeds (1994 \$310 thousand).
- Minnesota History Center and Exhibits Project. Opened 10/92. Total Project Cost: \$81 million including a private funds match of \$19.1 million.
- Mille Lacs Indian Museum and Ayer Trading Post. Opened 6/96 and 5/95 respectively. Included state bond funding of \$4 million, \$1 million from EDA, and \$1.3 million private funds.
- Grant in Aid assistance: \$100 thousand (1990) and \$375 thousand (1992) to develop and preserve the Stone Arch Bridge. (Opened 10/94.)

AGENCY CONTACT PERSON, TITLE, AND PHONE

Charles Lawrence, Assistant Director for Finance and Administration
Minnesota Historical Society
phone (612) 297-7849; fax 297-3343
email chuck.lawrence@mnhs.org.

PROJECT LOCATION: Multiple Sites - Statewide

AGENCY PROJECT PRIORITY: 1 of 9

1998 STATE APPROPRIATION REQUEST: \$3,693

PROJECT DESCRIPTION:

This request involves critical restoration, reconstruction, replacement and other major deferred maintenance needs specific to the state's historic sites, including buildings, exhibits, markers, and monuments. The state's historic site network is now in its third decade of heavy use by visitors. During this time, nearly 12.5 million people have visited historic sites in the state network. This causes heavy wear and tear on fragile structures, many of which are over 100 years old.

The needs included in this request have developed over the past three decades and reflect the accumulated result of the sheer volume of public use, the age of structures which are a part of the historic site system, demands for increased access, and the effects of the environment. They involve significant levels of asset preservation that cannot be met by the current level of repair and replacement funding in the Society's operating budget. This project is directed primarily at historic sites that are open for public use. Historic sites are a nonrenewable resource. Action must be taken now if they are to be preserved for future generations.

Exhibits are an important part of the educational program at the statewide historic sites and represent a significant state investment. Many historic sites exhibits have reached or are reaching their natural life span and must be replaced or upgraded. For example, the Lindbergh exhibit listed in the chart below is now 25 years old. This exhibit is deteriorating (fading, artifacts coming loose from displays, electrical systems worn out, etc.) and its design does not provide a good interactive learning experience for visitors, especially school children. Further, much of it is installed along a ramp that no longer meets ADA standards. The replacement exhibit will be more accessible to a variety of audiences and will be designed to share the Lindbergh story with a new generation of people who do not have first hand memories of his historically significant transatlantic flight.

INVENTORY OF ASSET PRESERVATION NEEDS FOR 1998 (Total = \$3,693)
PRIORITY LISTING

SITE	PROJECT CONTENT	COST (in\$000)
Lindbergh House	Permanent exhibit replacement	\$1,242
Historic Fort Snelling	Replace Building 30 roof	150
Historic Forestville	Stabilize addition foundation and exterior	150

Ramsey House	Interior restoration	88
Hill House	Interior restoration	48
Hill House	Hillside stabilization including cistern, retaining wall, rear step area and hill landscaping	259
LeDuc House	House stabilization	450
State Capitol	Repair and restore sculpture	227
Split Rock Lighthouse	Exterior/interior stabilization, Buildings 2 and 3	179
Monuments and Markers	Repair and stabilization	50
Historic Forestville	Restore interior	76
Comstock House	Restore barn and house exterior	133
Harkin Store	Replace house roof and siding	71
Ramsey House	Exterior restoration: porch replacement and wood detailing at cornice	234
LeDuc House	Fencing and landscape restoration	149
Fort Snelling	Outside wall stone replacement	35
Hill House	Building and exterior stabilization including verandah, gates and fences, sidewalks	52
Hill House	Stabilize Gate House exterior	50
Monuments and Markers	Repair and stabilization	50
TOTAL		\$3,693

PROJECT RATIONALE AND RELATIONSHIP TO AGENCY LONG-RANGE STRATEGIC PLAN AND CAPITAL PLAN:

To accomplish the goals established by the long-range plan part of the Society's strategy is to invest a significant portion of available resources into assets that are currently being used by the public rather than in new facilities that significantly increase operating costs. All of the sites in this project are a part of the statewide historic site network as defined in M.S. Chapter 138.661, and have strong local and regional support from the areas in which they are located.

Many of the structures in the Historic Sites Network are well over 100 years old and represent the core of the state's most important historic assets. These structures fulfill the Society's mission of collecting and preserving evidence of human culture and provide a unique tool for teaching about its past. Failure to care for them will result in an irreversible loss. All items in this project are of a priority 1 basis, and are ready for immediate implementation in F.Y. 1999.

IMPACT ON AGENCY OPERATING BUDGETS (FACILITIES NOTE):

Minor increases to the Society's operating budget will be needed for the projects at

Historic Forestville, the LeDuc House, and the Hill House. Restoration of the Meighen House Parlor at Historic Forestville will provide increased access to a site that is growing in popularity. Increased costs include .6 FTE in interpretive costs and added expenses for maintenance, supplies and security. HVAC upgrades and interior restoration in the LeDuc House will add heat, maintenance, and security costs, but no additional staffing. At the Hill House, there are added costs for a .50 FTE maintenance position and .50 FTE guide. Stabilization of the gate house will add utility and maintenance costs.

OTHER CONSIDERATIONS:

- A. These asset preservation requests will help the Society maintain its strong network of historic structures. We have reached the natural life span of major repairs or construction which last occurred at the sites 20 to 30 years ago. Safety will be increased at the sites, including the Comstock House's deteriorated barn and at Fort Snelling, where the walls are crumbling dangerously and the building 30 roof has become rodent infested. In addition, landscaping at the Hill House will clear the hillside of transients, who currently take refuge in overgrown underbrush and deteriorated retaining walls at the base of the site.
- B. Many of the Minnesota Historical Society's sites are not state-owned, and therefore not eligible for CAPRA funding. The capital budget is the primary source of funding for preservation needs of these irreplaceable resources.
- C. The Society's current repair and replacement budgets are inadequate to meet asset preservation needs within the state network of historic sites. An additional \$4,116 million is needed through the year 2003 and could increase as additional problems are discovered.

Additional Asset Preservation Needs 2000 and 2002 (Total = \$4,116)

SITE	YEAR REQ.	PROJECT CONTENT	COST (in \$000)
Forest History Center	2000	Permanent Exhibit Replacement	\$460
Fort Ridgely	2000	Permanent Exhibit Replacement	\$362
Hill House	2000	Interior Restoration	\$54
Kelley Farm	2000	Exhibit Replacement	\$1,038
LeDuc House	2000	Interior Stabilization	\$428
Monuments and Markers	2000	Repair	\$107
Ramsey Carriage House	2000	Building renovation; grounds maintenance storage; dressing rooms	\$143
TOTAL 2000			\$2,592

Grand Mound	2002	Permanent Exhibit Replacement	\$871
Hill House	2002	Restore Gate House	\$107
Lac Qui Parle Mission	2002	Permanent Exhibit Replacement	\$91
Monuments and Markers	2002	Repair	\$107
Split Rock Lighthouse	2002	Restore Dwelling #2 to Coast Guard era; move caretaker's residence in Dwelling #2 to Dwelling #3	\$228
Split Rock Lighthouse	2002	Exhibit upgrade to Fog Signal Building and Trails	\$120
TOTAL 2002			\$1,524
TOTAL 2000 AND 2002			\$4,116

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AGENCY CAPITAL BUDGET REQUEST
Fiscal Years 1998-2003
Dollars in Thousands (\$137,500 = \$138 thousand)

CAPITAL FUNDING SOURCES	Prior Years	FY 1998-99	FY 2000-01	FY 2002-03	TOTAL
State Funds :					
G.O Bonds/State Bldgs	5,125	3,693	2,592	1,524	12,934
State Funds Subtotal	5,125	3,693	2,592	1,524	12,934
Agency Operating Budget Funds	0	0	0	0	0
Federal Funds	0	0	0	0	0
Local Government Funds	0	0	0	0	0
Private Funds	0	0	0	0	0
Other	0	0	0	0	0
TOTAL	5,125	3,693	2,592	1,524	12,934

IMPACT ON STATE OPERATING COSTS	Current FY 1998-99	Projected Costs (Without Inflation)			
		FY 1998-99	FY 2000-01	FY 2002-03	FY 2004-05
Compensation -- Program and Building Operation	0	0	88	88	88
Other Program Related Expenses	0	0	34	34	34
Building Operating Expenses	0	0	46	46	46
State-Owned Lease Expenses	0	0	0	0	0
Nonstate-Owned Lease Expenses	0	0	0	0	0
Expenditure Subtotal	0	0	168	168	168
Revenue Offsets	0	0	0	0	0
TOTAL	0	0	168	168	168
Change from Current FY 1998-99		0	168	168	168
Change in F.T.E. Personnel		0.0	1.6	0.0	0.0

PREVIOUS STATE CAPITAL APPROPRIATIONS FOR THIS PROJECT (Legal Citations)	Amount
Laws of Minnesota (year), Chapter, Section, Subdivision	
Laws 1996, Chapter 463, Section 22, Subdivision 2	3,000
Laws 1994, Chapter 643, Section 19, Subdivision 2-3	2,125

SOURCE OF FUNDS FOR DEBT SERVICE PAYMENTS (For bond-financed projects)	Amount	Percent of Total
General Fund	3,693	100.0%
User Financing	0	0.0%

STATUTORY AND OTHER REQUIREMENTS	
Project applicants should be aware that the following requirements will apply to their projects after adoption of the bonding bill.	
No	MS 16B.335 (1a): Construction/Major Remodeling Review (Legislature)
Yes	MS 16B.335 (1b): Project Exempt From This Review (Legislature)
No	MS 16B.335 (2): Other Projects (Legislative Notification)
No	MS 16B.335 (3): Predesign Requirement (Administration Dept)
No	MS 16B.335 (4): Energy Conservation Requirements (Agency)
No	MS 16B.335 (5): Information Technology Review (Office of Technology)
No	MS 16A.695: Use Agreement Required (Finance Dept)
No	MS 16A.695: Program Funding Review Required (Agency)
No	Matching Funds Required (as per agency request)

Department of Administration Analysis:

This will allow the agency to reduce its backlog of its deferred maintenance and renewal facilities program.

Department of Finance Analysis:

This proposal seeks to preserve and enhance deteriorating state owned historic sites. This is the third biennial request and it has been funded at a reduced level each year. If granted, this request would continue to reduce the backlog of repairs that can not be met by MHS's operating budget. Restoration should be planned in a manner that does not require an increase in the MHS's operating budget. This initiative could be reduced by eliminating or postponing some sites on the list and by scaling back the level of repairs made to some of the sites.

Governor's Recommendation:

The Governor recommends a partial appropriation of \$2 million for asset preservation of state owned historic sites. This appropriation is from G. O. Bonds. Also included are budget planning estimates of \$2 million in 2000 and 2002.

STATEWIDE STRATEGIC SCORE		
Criteria	Values	Points
Critical Life Safety Emergency - Existing Hazards	0/700	0
Critical Legal Liability - Existing Liability	0/700	0
Prior Binding Commitment	0/700	0
Strategic Linkage - Agency Six Year Plan	0/40/80/120	120
Safety/Code Concerns	0/35/70/105	35
Customer Service/Statewide Significance	0/35/70/105	105
Agency Priority	0/25/50/75/100	100
User and Non-State Financing	0-100	0
State Asset Management	0/20/40/60	60
State Operating Savings or Operating Efficiencies	0/20/40/60	0
Contained in State Six-Year Planning Estimates	0/25/50	50
TOTAL	700 Maximum	470

PROJECT LOCATION: Multiple Locations - Statewide

AGENCY PROJECT PRIORITY: 2 of 9

1998 STATE APPROPRIATION REQUEST: \$1,000

PROJECT DESCRIPTION: This project provides funding, on a competitive matching basis, for county and local historic preservation projects. By all standards, this project provides the best possible return on the state's investment. The funds dedicated to this preservation project are allocated to local and county organizations through the Society's Grant-in-Aid process. Recipients of county and local preservation grants are required to fully match state funds. For projects to restore properties listed on the National Register of Historic Places, both state and local funds can be matched by federal funds.

Grand-in-Aid funds are made available on a local match basis to preserve historic assets. This program is one of the most successful of its type with relatively small amounts of money leveraging vast sums of local funding and volunteer efforts. Funds appropriated in 1994 and 1996 were spread across Minnesota on a competitive grant basis, with requests more than double the funds available.

In 1997, the US Congress will consider reauthorizing the federal Intermodal Surface Transportation Efficiency Act (ISTEA). Pending the exact form of the reauthorization, the Society would propose that up to 30% of this request be used for ISTEA matching funds, should funding continue for the Enhancements program.

PROJECT RATIONALE AND RELATIONSHIP TO AGENCY LONG-RANGE STRATEGIC PLAN AND CAPITAL PLAN: This project has the effect of reducing the state's overall share of investment in preserving historic resources while fulfilling the state's statutory commitment to preserving elements of the state's inventory of historic resources (M.S. 138.665). Some states, for example, attempt to preserve 125+ historic sites at the state level. In Minnesota, we have limited the state's historic sites network to 32 sites, allowing the Society to concentrate on its mission of interpreting historic sites of statewide significance. Minnesota's Grant-in-Aid program, initiated in 1969, encourages local organizations to take on such preservation projects rather than depend on the state to fund both their capital and operating costs.

Since 1969 more than 1 thousand capital and operating grants have been awarded to qualified historical organizations in all 87 counties resulting in the preservation of the evidence of Minnesota's past. In the most recent rounds of grants, the Society's Grant-in-Aid program has assisted to preserve and make accessible such projects as the Pine Island City Hall, the New Ulm Post Office, the Washington County Courthouse, the Koochiching County Courthouse, the Hubbard House in Mankato, the Glensheen Mansion in Duluth, the Universal Laboratories Building in Dassel, and the Thief River Falls Depot. From the financial perspective, 1994 and 1996

appropriations totaling \$1,250,000 will leverage at least an equal amount in local match funding, as well as countless hours of volunteer effort. Additionally, this project helps to fulfill 2 goals identified in the Society's long range strategic plan: serving larger audiences, and increasing its services outside the metropolitan area.

Other accomplishments include:

A. Grants for historic preservation have stimulated local economies. The nearly \$4 million in state funds have been more than doubled by local matches used to implement projects, and quadrupled in the case of ISTEA grants. Tourists coming to visit these historic resources bring new dollars to Minnesota communities.

B. Professional standards and expertise were increased among staff and volunteers at county and local historical organizations receiving grants because of the technical assistance that accompanies them.

C. Many projects made possible by these grants enabled communities, most commonly through county and local governments and historical organizations, to reach out beyond their traditional constituencies and attract new audience, including significant new volunteer activities.

In summary, this grants program has enabled many organizations throughout the state to preserve significant historic places and other priceless evidence of the past at very modest cost to the state. The funding requested in this project would also be an investment by the state to assure that the maximum amount of available federal dollars can be applied to Minnesota's historic preservation projects. Failure to do so could result in the loss of a significant amount of federal funds.

IMPACT ON AGENCY OPERATING BUDGETS (FACILITIES NOTE): The funding of this program will not impact operating budgets.

OTHER CONSIDERATIONS: Grants to preserve the evidence of Minnesota's past have been and will be used to make a very wide variety of historic resources available to the public. Examples include preservation of the Edna G. Tugboat in Two Harbors, and Alberta Teacherage in Stevens County. For the 1994 appropriation of \$500 thousand for County and Local Preservation Projects, the Society received a total of \$1.079 million in requests with a total local match of \$2.516 million. For the most recent grant rounds, applications far exceeded funds available. This clearly demonstrates the statewide needs for historic preservation funding as well as the ability and willingness of local groups to leverage state dollars.

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CAPITAL FUNDING SOURCES	Prior Years	FY 1998-99	FY 2000-01	FY 2002-03	TOTAL
State Funds :					
G.O Bonds/State Bldgs	1,250	1,000	1,000	1,000	4,250
State Funds Subtotal	1,250	1,000	1,000	1,000	4,250
Agency Operating Budget Funds	0	0	0	0	0
Federal Funds	0	0	0	0	0
Local Government Funds	0	0	0	0	0
Private Funds	1,250	1,000	1,000	1,000	4,250
Other	0	0	0	0	0
TOTAL	2,500	2,000	2,000	2,000	8,500

IMPACT ON STATE OPERATING COSTS	Current FY 1998-99	Projected Costs (Without Inflation)			
		FY 1998-99	FY 2000-01	FY 2002-03	FY 2004-05
Compensation -- Program and Building Operation	0	0	0	0	0
Other Program Related Expenses	0	0	0	0	0
Building Operating Expenses	0	0	0	0	0
State-Owned Lease Expenses	0	0	0	0	0
Nonstate-Owned Lease Expenses	0	0	0	0	0
Expenditure Subtotal	0	0	0	0	0
Revenue Offsets	0	0	0	0	0
TOTAL	0	0	0	0	0
Change from Current FY 1998-99		0	0	0	0
Change in F.T.E. Personnel		0.0	0.0	0.0	0.0

PREVIOUS STATE CAPITAL APPROPRIATIONS FOR THIS PROJECT (Legal Citations)	Amount
Laws of Minnesota (year), Chapter, Section, Subdivision	
Laws of 96, Chapter 463, Section 22, Subd. 4 County and Local Pres Pro	750
Laws of 94, Chapter 643, Section 19, Subd. 4 County and Local Pres Pro	500

SOURCE OF FUNDS FOR DEBT SERVICE PAYMENTS (For bond-financed projects)	Amount	Percent of Total
General Fund	1,000	100.0%
User Financing	0	0.0%

STATUTORY AND OTHER REQUIREMENTS	
Project applicants should be aware that the following requirements will apply to their projects after adoption of the bonding bill.	
No	MS 16B.335 (1a): Construction/Major Remodeling Review (Legislature)
Yes	MS 16B.335 (1b): Project Exempt From This Review (Legislature)
No	MS 16B.335 (2): Other Projects (Legislative Notification)
No	MS 16B.335 (3): Predesign Requirement (Administration Dept)
No	MS 16B.335 (4): Energy Conservation Requirements (Agency)
No	MS 16B.335 (5): Information Technology Review (Office of Technology)
No	MS 16A.695: Use Agreement Required (Finance Dept)
No	MS 16A.695: Program Funding Review Required (Agency)
Yes	Matching Funds Required (as per agency request)

Department of Administration Analysis:

Predesign is not typically required on these projects.

Department of Finance Analysis:

This request is a continuation of a program that has been funded for the past two bienniums. It provides state dollars for the repair and maintenance of local historic sites. The grants are matched on a one to one basis. Local applications to this program continues to outstrip MHS's ability to meet the need.

Governor's Recommendation:

The Governor recommends general obligation bonding of \$1 million for this project. Also included are budget planning estimates of \$1 million in 2000 and 2002.

STATEWIDE STRATEGIC SCORE		
Criteria	Values	Points
Critical Life Safety Emergency - Existing Hazards	0/700	0
Critical Legal Liability - Existing Liability	0/700	0
Prior Binding Commitment	0/700	0
Strategic Linkage - Agency Six Year Plan	0/40/80/120	120
Safety/Code Concerns	0/35/70/105	0
Customer Service/Statewide Significance	0/35/70/105	105
Agency Priority	0/25/50/75/100	100
User and Non-State Financing	0-100	50
State Asset Management	0/20/40/60	0
State Operating Savings or Operating Efficiencies	0/20/40/60	0
Contained in State Six-Year Planning Estimates	0/25/50	50
TOTAL	700 Maximum	425

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PROJECT LOCATION: Minneapolis - Hennepin County

AGENCY PROJECT PRIORITY: 3 of 9

1998 STATE APPROPRIATION REQUEST: \$9,945

PROJECT DESCRIPTION:

This project will build a 30 thousand gross square foot orientation center in the stabilized Washburn Crosby A Mill on the Mississippi Riverfront in the historic West Side Milling District in Minneapolis. The Society's current interpretive programs at the Falls are operated out of a temporary storefront location which has inadequate space to meet the needs of tour groups.

The St. Anthony Falls Heritage Zone Orientation Center will be a year-round facility containing exhibits, classrooms, audio-visual displays, visitor services, and a sales area. Its programs will open up exploration of the Riverfront, reveal the multiple stories of the region (lumber milling, farming and railroads), and educate students of all ages about the birthplace of Minneapolis and the important historical changes in the region's geography and environment. Its presence will add energy and activity to the park and the surrounding community, bringing families, school children, and visitors to the river to learn and enjoy.

The orientation center will be managed by the MHS in cooperation with the St. Anthony Falls Heritage Board. Predesign for the project was completed in 1997 with funds provided by the Heritage Board. The Society will raise \$1 million for exhibits, which represents a 9% match to the requested state support.

The Heritage Zone was created by the 1988 Legislature to provide a comprehensive interpretive development plan for the zone's historic resources, and a funding program defined in M.S. 138.764, to provide incentives to preserve the zone's historic resources. The Society is responsible by statute for the restoration plan of the historical components of the zone and for the public education in the zone.

The zone includes 2 national historic landmarks, and 1 national engineering landmark, plus 26 other key historic resources. The Washburn Crosby A Mill, a national historic landmark, was devastated by fire in February 1991, and was stabilized during the summer of 1997. The Stone Arch Bridge, a national engineering landmark, was restored and reopened in 1994 and has since been busy with bicycle and pedestrian traffic. Heritage trail markers were installed in 1996 across a 2 miles of the district.

The St. Anthony Falls Heritage Board has identified other potential projects for the years 2000-2003 in its 1990 interpretive plan. These include Mill Ruins Park

Restoration among others. Funds provided by the state for these projects will be matched by public and private sources.

PROJECT RATIONALE AND RELATIONSHIP TO AGENCY LONG-RANGE STRATEGIC PLAN AND CAPITAL PLAN:

In 1990, the St. Anthony Falls Heritage Board completed an interpretive plan for this historic zone. Twenty-nine historical interpretive components were identified in that plan as being critical to interpret and preserve. High on the list of priorities was to preserve the Washburn Crosby Mill. Funds provided through this request will ensure preservation of the Washburn Crosby Mill ruin, which was stabilized with State Bond assistance in 1997. These funds also will stimulate further private and public development in the area surrounding the mill.

Previous investment by the state in this area has stimulated high federal and local interest in continuing the implementation of the interpretive plan. The educational and economic benefits are substantive. State funding will attract a significant amount of non-state funds during the coming biennia. A program designed to encourage public and private investment in historic preservation in the zone will reduce need for state funds in preserving such sites.

IMPACT ON AGENCY OPERATING BUDGETS (FACILITIES NOTE):

This proposal would add \$200 thousand per year to the site's annual operating budget in increased staffing, maintenance, supplies and program costs.

OTHER CONSIDERATIONS:

A. Funding of elements of the Heritage Zone Implementation Plan has leveraged significant federal and private funding in the St. Anthony Falls area. Significant private investment has been made in housing and offices in the area, including the preservation and restoration of a number of important historic structures.

B. Additional investment in the St. Anthony Falls area will result in a continuation of the mutually beneficial partnership of business, history, and recreation.

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AGENCY CAPITAL BUDGET REQUEST
Fiscal Years 1998-2003
Dollars in Thousands (\$137,500 = \$138 thousand)

TOTAL PROJECT COSTS All Years and All Funding Sources	Project Costs All Prior Years	Project Costs FY 1998-99	Project Costs FY 2000-01	Project Costs FY 2002-03	Project Costs All Years	Project Start (Month/Year)	Project Finish (Month/Year)
1. Property Acquisition							
Land, Land and Easements, Options	\$0	\$0	\$0	\$0	\$0		
Buildings and Land	0	0	0	0	0		
SUBTOTAL	0	0	0	0	0		
2. Predesign	5	0	0	0	5		
SUBTOTAL	5	0	0	0	5		
3. Design Fees							
Schematic	0	93	0	0	93	09/1998	11/1998
Design Development	0	124	0	0	124	12/1998	02/1999
Contract Documents	0	247	0	0	247	02/1999	07/1999
Construction Administration	0	154	0	0	154	07/1999	10/2000
SUBTOTAL	0	618	0	0	618		
4. Project Management						10/1998	12/2000
State Staff Project Management	0	0	0	0	0		
Construction Management	0	187	0	0	187		
Other Costs	0	60	0	0	60		
SUBTOTAL	0	247	0	0	247		
5. Construction Costs						07/1999	12/2000
Site & Building Preparation	0	760	0	0	760		
Demolition/Decommissioning	0	500	0	0	500		
Construction	0	4,406	0	0	4,406		
Infrastructure/Roads/Utilities	0	450	0	0	450		
Hazardous Material Abatement	0	0	0	0	0		
Construction Contingency	0	612	0	0	612		
SUBTOTAL	0	6,728	0	0	6,728		
6. Art	0	57	0	0	57	01/2000	12/2000
SUBTOTAL	0	57	0	0	57		
7. Occupancy							
Furniture, Fixtures and Equipment	0	154	0	0	154	01/2000	12/2000
Telecommunications (voice & data)	0	20	0	0	20	01/2000	12/2000
Security Equipment	0	15	0	0	15	01/2000	12/2000
Commissioning	0	35	0	0	35	01/2000	12/2000
SUBTOTAL	0	224	0	0	224		
8. Inflation							
Midpoint of Construction		03/2000					
Inflation Multiplier		13.60%	0.00%	0.00%			
Inflation Cost	SUBTOTAL	1,071	0	0	1,071		
9. Other	0	2,000	0	0	2,000	07/1998	12/2000
SUBTOTAL	0	2,000	0	0	2,000		
GRAND TOTAL	\$5	\$10,945	\$0	\$0	\$10,950		

CAPITAL FUNDING SOURCES	Prior Years	FY 1998-99	FY 2000-01	FY 2002-03	TOTAL
State Funds :					
G.O Bonds/State Bldgs	0	9,945	0	0	9,945
State Funds Subtotal	0	9,945	0	0	9,945
Agency Operating Budget Funds	5	0	0	0	5
Federal Funds	0	0	0	0	0
Local Government Funds	0	0	0	0	0
Private Funds	0	1,000	0	0	1,000
Other	0	0	0	0	0
TOTAL	5	10,945	0	0	10,950

IMPACT ON STATE OPERATING COSTS	Current FY 1998-99	Projected Costs (Without Inflation)			
		FY 1998-99	FY 2000-01	FY 2002-03	FY 2004-05
Compensation -- Program and Building Operation	0	0	290	290	290
Other Program Related Expenses	0	0	59	59	59
Building Operating Expenses	0	0	90	90	90
State-Owned Lease Expenses	0	0	0	0	0
Nonstate-Owned Lease Expenses	0	0	0	0	0
Expenditure Subtotal	0	0	439	439	439
Revenue Offsets	0	0	<40>	<70>	<70>
TOTAL	0	0	399	369	369
Change from Current FY 1998-99		0	399	369	369
Change in F.T.E. Personnel		0.0	4.9	0.0	0.0

SOURCE OF FUNDS FOR DEBT SERVICE PAYMENTS (For bond-financed projects)	Amount	Percent of Total
General Fund	9,945	100.0%
User Financing	0	0.0%

STATUTORY AND OTHER REQUIREMENTS	
Project applicants should be aware that the following requirements will apply to their projects after adoption of the bonding bill.	
Yes	MS 16B.335 (1a): Construction/Major Remodeling Review (Legislature)
No	MS 16B.335 (1b): Project Exempt From This Review (Legislature)
No	MS 16B.335 (2): Other Projects (Legislative Notification)
Yes	MS 16B.335 (3): Predesign Requirement (Administration Dept)
Yes	MS 16B.335 (4): Energy Conservation Requirements (Agency)
No	MS 16B.335 (5): Information Technology Review (Office of Technology)
No	MS 16A.695: Use Agreement Required (Finance Dept)
No	MS 16A.695: Program Funding Review Required (Agency)
Yes	Matching Funds Required (as per agency request)

Department of Administration Analysis:

Predesign has been reviewed and received a positive recommendation.

Department of Finance Analysis:

This initiative is one component of a complex project to develop a portion of the Minneapolis river front in a manner sensitive to the city's milling heritage. The project is a joint effort of government entities and the private sector. Participants include, the City of Minneapolis, the Minneapolis Park and Rec Board, Hennepin County, and the MHS. Many key decisions for this multi-phase project have yet to be made.

MHS is requesting almost \$10 million dollars to build an orientation, or visitor center to facilitate the exploration of the river front and to tell the area's story. An additional million dollars will be raised by the Society to finance exhibits for the orientation center. MHS estimates that the operation of this facility will increase their biennial request by \$399 thousand. It is anticipated that MHS will seek future funding for additional phases of this project.

Governor's Recommendation:

The Governor does not recommend capital funds for this project.

STATEWIDE STRATEGIC SCORE		
Criteria	Values	Points
Critical Life Safety Emergency - Existing Hazards	0/700	0
Critical Legal Liability - Existing Liability	0/700	0
Prior Binding Commitment	0/700	0
Strategic Linkage - Agency Six Year Plan	0/40/80/120	80
Safety/Code Concerns	0/35/70/105	0
Customer Service/Statewide Significance	0/35/70/105	35
Agency Priority	0/25/50/75/100	75
User and Non-State Financing	0-100	9
State Asset Management	0/20/40/60	0
State Operating Savings or Operating Efficiencies	0/20/40/60	0
Contained in State Six-Year Planning Estimates	0/25/50	50
TOTAL	700 Maximum	249

PROJECT LOCATION: Pine City, Pine County

AGENCY PROJECT PRIORITY: 4 of 9

1998 STATE APPROPRIATION REQUEST: \$3,148

PROJECT DESCRIPTION:

This project involves the construction of a visitor center, site preparation, landscaping, and exhibits for the North West Company Fur Post in accordance with the master plan developed and approved under the Outdoor Recreation Act of 1975.

A visitor center is the starting point for the public's use of a major historic site. It contains exhibit space to tell the story of the site, restrooms, gift shop and staff offices. It prepares the visitor so that they will have a better understanding of the site's history.

PROJECT RATIONALE AND RELATIONSHIP TO AGENCY LONG-RANGE STRATEGIC PLAN AND CAPITAL PLAN:

The reconstructed North West Company Fur Post sits on its original location on 150 acres of land in Pine County. The Snake River passes through the site to provide an unusual scenic setting. For over 2 centuries fur traders from 3 nations threaded their canoes through the region's lakes and rivers in search of animal pelts so highly prized by European and Asian fashion. A group of traders representing the British North West Company landed on the banks of the Snake River in October 1804, and set up a trading post to trade with the nearby Ojibwe Indians. Today, this authentically reconstructed fur post is stocked with utensils and barter goods of the fur trade. Costumed guides demonstrate the everyday activities of the voyageurs. This story of Minnesota's first commercial enterprise is not told in its entirety anywhere else in the state.

A visitor center of 10,500 gross square feet, with restrooms and exhibit area plus parking is needed to properly present this site. In addition the site needs improved behind-the-scenes support, including a heated office for the site manager (temperatures in the existing office drop to 45 degrees in the spring and fall) and staff changing areas and work space. Through 1994 state support, construction drawings have been complete since June 1996 and site development, including construction of a new parking lot will be complete in fall 1997. The project is ready to move into the construction phase.

The North West Company Fur Post, located in Pine County, attracts visitors from all over the United States and Canada. An active "Friends" group, which has members from across Minnesota, surrounding states, and Canada, was established to assist in this site's development and highway signing. This site's close proximity to I-35 will

have a significant impact in attracting tourism traffic. This project has high priority in the Society's strategic plan.

IMPACT ON AGENCY OPERATING BUDGETS (FACILITIES NOTE):

Operating costs will increase because the site will be fully developed and require additional staff, utilities and equipment. The site as it exists today only has the restored fur post (with no water, restrooms, or heated buildings) and vault toilets.

When fully developed, this site will generate admissions income by serving greater numbers of visitors, thus helping to offset increased operating costs. The potential for a highly visited site in this economically depressed area is significant. It is located just off Interstate 35 at the Pine City exit about 50 miles north of the Twin Cities. The attendance could be as high as 40 thousand annually. This will provide \$375 thousand annually in spin-off economic impacts in the surrounding region.

OTHER CONSIDERATIONS:

- This proposed expansion fits with the Society's strategic plan to interpret historic sites of statewide significance. It will improve customer service for visitors to the site by providing modern restrooms within a sheltered building, an improved entry road, and an educational interpretation of the Fur Post.
- This project is a critical need for boosting tourism efforts in the region. It has high support from residents of Pine County, who have been working actively to support this initiative for the last 7 years. Pine City has designed much of its advertising and promotion around the voyageur and fur trade theme.

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AGENCY CAPITAL BUDGET REQUEST
Fiscal Years 1998-2003
Dollars in Thousands (\$137,500 = \$138 thousand)

TOTAL PROJECT COSTS All Years and All Funding Sources	Project Costs All Prior Years	Project Costs FY 1998-99	Project Costs FY 2000-01	Project Costs FY 2002-03	Project Costs All Years	Project Start (Month/Year)	Project Finish (Month/Year)
1. Property Acquisition							
Land, Land and Easements, Options	\$0	\$0	\$0	\$0	\$0		
Buildings and Land	0	0	0	0	0		
SUBTOTAL	0	0	0	0	0		
2. Predesign	250	0	0	0	250		
SUBTOTAL	250	0	0	0	250		
3. Design Fees							
Schematic	18	0	0	0	18		
Design Development	31	0	0	0	31		
Contract Documents	54	0	0	0	54		
Construction Administration	0	39	0	0	39	07/1998	06/1999
SUBTOTAL	103	39	0	0	142		
4. Project Management						07/1998	08/1999
State Staff Project Management	13	0	0	0	13		
Construction Management	0	95	0	0	95		
SUBTOTAL	13	95	0	0	108		
5. Construction Costs						07/1998	09/1999
Site & Building Preparation	0	310	0	0	310		
Demolition/Decommissioning	0	0	0	0	0		
Construction	0	1,677	0	0	1,677		
Infrastructure/Roads/Utilities	194	0	0	0	194		
Hazardous Material Abatement	0	0	0	0	0		
Construction Contingency	0	60	0	0	60		
SUBTOTAL	194	2,047	0	0	2,241		
6. Art	0	17	0	0	17	07/1998	09/1999
SUBTOTAL	0	17	0	0	17		
7. Occupancy							
Furniture, Fixtures and Equipment	0	104	0	0	104	03/1999	10/1999
Telecommunications (voice & data)	0	7	0	0	7	03/1999	10/1999
Security Equipment	0	10	0	0	10	03/1999	10/1999
Commissioning	0	15	0	0	15	07/1999	01/2000
SUBTOTAL	0	136	0	0	136		
8. Inflation							
Midpoint of Construction		02/1999					
Inflation Multiplier		8.10%	0.00%	0.00%			
Inflation Cost		189	0	0	189		
SUBTOTAL		189	0	0	189		
9. Other	0	625	0	0	625	07/1998	04/2000
SUBTOTAL	0	625	0	0	625		
GRAND TOTAL	\$560	\$3,148	\$0	\$0	\$3,708		

CAPITAL FUNDING SOURCES	Prior Years	FY 1998-99	FY 2000-01	FY 2002-03	TOTAL
State Funds :					
G.O Bonds/State Bldgs	560	3,148	0	0	3,708
State Funds Subtotal	560	3,148	0	0	3,708
Agency Operating Budget Funds	0	0	0	0	0
Federal Funds	0	0	0	0	0
Local Government Funds	0	0	0	0	0
Private Funds	0	0	0	0	0
Other	0	0	0	0	0
TOTAL	560	3,148	0	0	3,708

IMPACT ON STATE OPERATING COSTS	Current FY 1998-99	Projected Costs (Without Inflation)			
		FY 1998-99	FY 2000-01	FY 2002-03	FY 2004-05
Compensation -- Program and Building Operation	0	0	374	374	374
Other Program Related Expenses	0	0	82	82	82
Building Operating Expenses	0	0	58	58	58
State-Owned Lease Expenses	0	0	0	0	0
Nonstate-Owned Lease Expenses	0	0	0	0	0
Expenditure Subtotal	0	0	514	514	514
Revenue Offsets	0	0	<34>	<34>	<34>
TOTAL	0	0	480	480	480
Change from Current FY 1998-99		0	480	480	480
Change in F.T.E. Personnel		0.0	6.0	0.0	0.0

PREVIOUS STATE CAPITAL APPROPRIATIONS FOR THIS PROJECT (Legal Citations)	Amount
Laws of Minnesota (year), Chapter, Section, Subdivision	
Laws 1994, Chapter 643, Section 19, Subdivision 7	310
Laws 1991, Chapter 254, Section 14, Subdivision 3(k) (LCMR)	250

SOURCE OF FUNDS FOR DEBT SERVICE PAYMENTS (For bond-financed projects)	Amount	Percent of Total
General Fund	3,148	100.0%
User Financing	0	0.0%

STATUTORY AND OTHER REQUIREMENTS	
Project applicants should be aware that the following requirements will apply to their projects after adoption of the bonding bill.	
Yes	MS 16B.335 (1a): Construction/Major Remodeling Review (Legislature)
No	MS 16B.335 (1b): Project Exempt From This Review (Legislature)
No	MS 16B.335 (2): Other Projects (Legislative Notification)
Yes	MS 16B.335 (3): Predesign Requirement (Administration Dept)
Yes	MS 16B.335 (4): Energy Conservation Requirements (Agency)
No	MS 16B.335 (5): Information Technology Review (Office of Technology)
No	MS 16A.695: Use Agreement Required (Finance Dept)
No	MS 16A.695: Program Funding Review Required (Agency)
No	Matching Funds Required (as per agency request)

Department of Administration Analysis:

It is not clear what the \$625 thousand item under section 9 covers.

Department of Finance Analysis:

Previously MHS has been awarded state dollars for pre design. Located just off of I-35 this site has the potential to tell the story of the fur trade in Minnesota is in a location that would attract a significant number of visitors.

MHS should consider redesigning this project so that the ongoing operating costs for the site are reduced. If improved, MHS estimates up to 40 thousand visitors per year and operating costs of \$240 thousand. That is \$6 per visitor, per year. When compared to premier site, Split Rock Light House, this number appears high. Split Rock has an annual operating budget of \$360 thousand and 117 thousand visitor per year or about \$3 per visitor, per year. As currently developed this project would be very costly to operate.

The site and the proposed improvements provide value. It is the only site to tell the state's fur trade story in its entirety. The site could generate significant economic impact for the area. For example, to help capitalize on this impact, one city has begun using the voyager theme in its advertising. Perhaps, the MHS could explore financing partnerships with local entities to help develop this project.

Governor's Recommendation:

The Governor does not recommend capital funds for this project.

STATEWIDE STRATEGIC SCORE		
Criteria	Values	Points
Critical Life Safety Emergency - Existing Hazards	0/700	0
Critical Legal Liability - Existing Liability	0/700	0
Prior Binding Commitment	0/700	0
Strategic Linkage - Agency Six Year Plan	0/40/80/120	80
Safety/Code Concerns	0/35/70/105	0
Customer Service/Statewide Significance	0/35/70/105	35
Agency Priority	0/25/50/75/100	75
User and Non-State Financing	0-100	0
State Asset Management	0/20/40/60	20
State Operating Savings or Operating Efficiencies	0/20/40/60	0
Contained in State Six-Year Planning Estimates	0/25/50	50
TOTAL	700 Maximum	260

PROJECT LOCATION: Two Harbors, Lake County

AGENCY PROJECT PRIORITY: 5 of 9

1998 STATE APPROPRIATION REQUEST: \$783

PROJECT DESCRIPTION:

This project will build a 3,200 s.f. addition to the visitor center at the Split Rock Lighthouse Historic Site. This extra space will create a more efficient and understandable entry point for visitors, will provide improved restrooms to meet consumer needs and ADA requirements, and will expand the museum store area for better customer service.

New and expanded restrooms will be at the front of the building, accessible to visitors to the site who do not pay for the interpretive program. The restroom addition will include a new septic system. Immediately beyond the entry area will be a reconfigured admissions desk and the new store space. The existing public restrooms will be converted into storage areas and office space.

PROJECT RATIONALE AND RELATIONSHIP TO AGENCY LONG-RANGE STRATEGIC PLAN AND CAPITAL PLAN:

This project supports the Minnesota Historical Society Long-range Plan in a number of ways. The plan's first goal calls for expanded service to larger audiences, and this is at the heart of the rationale for undertaking this project. The project also contributes to the goal of revitalizing the state's historic sites.

One of the assumptions underlying the long-range plan is a heightened attention to customer service. This project will allow for better service to both paying and non-paying customers. The expanded restrooms and museum store will be the final pieces to ensure that Split Rock provides a complete and satisfying historic site experience.

There are 5 projected outcomes. First, traffic flow will be improved so that all parts of the building once again meet their potential. Second, new larger restrooms will eliminate the need for portable units, currently used on site, and will give visitors a more pleasant experience. Third, visitors will be able to choose from a wider variety of items in the store, and do so in a more relaxed atmosphere. Fourth, revenue from the store will increase to offset increases in operating costs and to allow for new program initiatives. Fifth, more storage space will be created, and thus will ease pressures on historic buildings that are now used for this function.

The Visitor Center is 11 years old, and it still meets most needs quite well. However, it was designed to accommodate a flow of visitors without an admission

charge. The restrooms are now located behind the admissions area, which causes a great deal of confusion for non-paying visitors who need to use the facility. Attendance has increased steadily for the last five years and congestion is a growing problem. Furthermore, admission fees and expanded programs have caused visitors to stay at the site for longer periods of time, causing increased demand on restroom facilities. For the past 2 years the Society has had to use portable units in the parking lot to meet the increased demand.

The retail operation has grown significantly since 1986. This project will double the size of the store area, giving visitors a better environment and more selection. The store is an important part of the site for most visitors. For instance, the expansion will allow the Society to meet the demand for more merchandise and books about other lighthouses and the history of the Great Lakes area. The project will also allow the store to create more revenue, which will help minimize the impact of additional operating expenses.

Split Rock Lighthouse is one of Minnesota's premier historic sites, and has become one of the state's enduring icons. People from across the state share this site with national and international visitors. Given this visibility, it is imperative to make Split Rock a first-class facility and a model of customer service.

The visitor center is the designated multi-use building on the site, and the most appropriate venue for these activities. All other buildings on site are historic structures, and would not accommodate the store or modern restrooms.

IMPACT ON AGENCY OPERATING BUDGETS (FACILITIES NOTE):

Expansion of the visitor center and retail store area will increase operating costs by \$50 thousand annually. These costs include additional retail and maintenance staff, utilities, and miscellaneous expenses such as janitorial supplies and building supplies. Increased costs of the retail portion will be offset by increased revenue from retail sales, resulting in a net additional cost of \$22 thousand per year.

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AGENCY CAPITAL BUDGET REQUEST
Fiscal Years 1998-2003
Dollars in Thousands (\$137,500 = \$138 thousand)

TOTAL PROJECT COSTS All Years and All Funding Sources	Project Costs All Prior Years	Project Costs FY 1998-99	Project Costs FY 2000-01	Project Costs FY 2002-03	Project Costs All Years	Project Start (Month/Year)	Project Finish (Month/Year)
1. Property Acquisition							
Land, Land and Easements, Options	\$0	\$0	\$0	\$0	\$0		
Buildings and Land	0	0	0	0	0		
SUBTOTAL	0	0	0	0	0		
2. Predesign							
SUBTOTAL	4	0	0	0	4	09/1997	12/1997
3. Design Fees							
Schematic	0	10	0	0	10	08/1998	09/1998
Design Development	0	13	0	0	13	09/1998	11/1998
Contract Documents	0	26	0	0	26	11/1998	02/1999
Construction Administration	0	17	0	0	17	05/1999	03/2000
SUBTOTAL	0	66	0	0	66		
4. Project Management							
State Staff Project Management	0	0	0	0	0		
Construction Management	0	0	0	0	0		
SUBTOTAL	0	0	0	0	0		
5. Construction Costs							
Site & Building Preparation	0	22	0	0	22	05/1999	03/2000
Demolition/Decommissioning	0	34	0	0	34		
Construction	0	380	0	0	380		
Infrastructure/Roads/Utilities	0	90	0	0	90		
Hazardous Material Abatement	0	0	0	0	0		
Construction Contingency	0	45	0	0	45		
SUBTOTAL	0	571	0	0	571		
6. Art							
SUBTOTAL	0	0	0	0	0		
7. Occupancy							
Furniture, Fixtures and Equipment	0	60	0	0	60	05/1999	03/2000
Telecommunications (voice & data)	0	0	0	0	0		
Security Equipment	0	3	0	0	3	05/1999	03/2000
Commissioning	0	0	0	0	0		
SUBTOTAL	0	63	0	0	63		
8. Inflation							
Midpoint of Construction		11/1999					
Inflation Multiplier		11.90%	0.00%	0.00%			
Inflation Cost	SUBTOTAL	83	0	0	83		
9. Other							
SUBTOTAL	0	0	0	0	0		
GRAND TOTAL	\$4	\$783	\$0	\$0	\$787		

AGENCY CAPITAL BUDGET REQUEST
Fiscal Years 1998-2003
Dollars in Thousands (\$137,500 = \$138 thousand)

CAPITAL FUNDING SOURCES	Prior Years	FY 1998-99	FY 2000-01	FY 2002-03	TOTAL
State Funds :					
G.O Bonds/State Bldgs	0	783	0	0	783
State Funds Subtotal	0	783	0	0	783
Agency Operating Budget Funds	4	0	0	0	4
Federal Funds	0	0	0	0	0
Local Government Funds	0	0	0	0	0
Private Funds	0	0	0	0	0
Other	0	0	0	0	0
TOTAL	4	783	0	0	787

IMPACT ON STATE OPERATING COSTS	Current FY 1998-99	Projected Costs (Without Inflation)			
		FY 1998-99	FY 2000-01	FY 2002-03	FY 2004-05
Compensation -- Program and Building Operation	0	0	90	90	90
Other Program Related Expenses	0	0	4	4	4
Building Operating Expenses	0	0	7	7	7
State-Owned Lease Expenses	0	0	0	0	0
Nonstate-Owned Lease Expenses	0	0	0	0	0
Expenditure Subtotal	0	0	101	101	101
Revenue Offsets	0	0	<56>	<56>	<56>
TOTAL	0	0	45	45	45
Change from Current FY 1998-99		0	45	45	45
Change in F.T.E. Personnel		0.0	2.0	0.0	0.0

SOURCE OF FUNDS FOR DEBT SERVICE PAYMENTS (For bond-financed projects)	Amount	Percent of Total
General Fund	783	100.0%
User Financing	0	0.0%

STATUTORY AND OTHER REQUIREMENTS	
Project applicants should be aware that the following requirements will apply to their projects after adoption of the bonding bill.	
Yes	MS 16B.335 (1a): Construction/Major Remodeling Review (Legislature)
No	MS 16B.335 (1b): Project Exempt From This Review (Legislature)
No	MS 16B.335 (2): Other Projects (Legislative Notification)
Yes	MS 16B.335 (3): Predesign Requirement (Administration Dept)
Yes	MS 16B.335 (4): Energy Conservation Requirements (Agency)
No	MS 16B.335 (5): Information Technology Review (Office of Technology)
No	MS 16A.695: Use Agreement Required (Finance Dept)
No	MS 16A.695: Program Funding Review Required (Agency)
No	Matching Funds Required (as per agency request)

Department of Administration Analysis:

A predesign document is in the process of being developed; and a recommendation will be issued upon completion.

Department of Finance Analysis:

This initiative proposes to solve several significant problems at Split Rock Light House, MHS's premier site. Most importantly, it provides a much needed septic system, as well as clarifying the path visitors follow through the facility, increasing the size of the gift shop and allowing new storage space. It is important to solve these problems before they begin to erode the site's appeal to visitors.

Governor's Recommendation:

The Governor recommends general obligation bonding of \$783 thousand for this project.

STATEWIDE STRATEGIC SCORE		
Criteria	Values	Points
Critical Life Safety Emergency - Existing Hazards	0/700	0
Critical Legal Liability - Existing Liability	0/700	0
Prior Binding Commitment	0/700	0
Strategic Linkage - Agency Six Year Plan	0/40/80/120	80
Safety/Code Concerns	0/35/70/105	35
Customer Service/Statewide Significance	0/35/70/105	70
Agency Priority	0/25/50/75/100	50
User and Non-State Financing	0-100	0
State Asset Management	0/20/40/60	20
State Operating Savings or Operating Efficiencies	0/20/40/60	20
Contained in State Six-Year Planning Estimates	0/25/50	0
TOTAL	700 Maximum	275

PROJECT LOCATION: St. Paul, Hennepin County

AGENCY PROJECT PRIORITY: 6 of 9

1998 STATE APPROPRIATION REQUEST: \$591

PROJECT DESCRIPTION:

This project covers development at Historic Fort Snelling, located near Minneapolis and St. Paul, at the junction of the Minnesota and Mississippi Rivers. The site is a National Historic Landmark and has been designated as the Old Fort Snelling Historic District. An oil painting of a river view of the site hangs in the National Capitol in Washington, D.C. Fort Snelling was the administrative center of the region from 1819 until statehood in 1858 and was an active army post until 1946. The site was restored and opened to the public beginning in 1965.

This project includes several components: a) major repair or rehabilitation of several historic or reconstructed structures within the walls of the historic fort and a shift in interpretive focus from 1827 to 1837-39; b) upgraded and expanded educational programs and services, including installation of new exhibits, to replace those opened nearly 20 years ago, new media programs, an expansion of the heritage crafts demonstration programs; renovation of the existing visitor center to serve expanded school and adult-learning audiences; and development of a day camp summer enrichment program and c) improved visitor services, including expanded food service and gift shops and increased directional signage and improved walkways.

The project is scheduled to occur in 2 phases: The first phase is timed to coincide with Minnesota's commemoration of its territorial sesquicentennial in 1999. This phase includes: building repairs to refurbish the fort after more than 30 years of use by visitors; physical changes to certain fort structures to accommodate the 1838 interpretive year changes; and improved visitor amenities, including site directional signage and food service. The second phase, planned for completion in 2002 will focus on exhibit changes and renovation of the existing visitor center for expanded educational programs.

PROJECT RATIONALE AND RELATIONSHIP TO AGENCY LONG-RANGE STRATEGIC PLAN AND CAPITAL PLAN:

This project restores Historic Fort Snelling to its place as the centerpiece of Minnesota's active historic sites and living history program. Saved and reconstructed by and for the people of Minnesota at a cost of over \$10 million, Fort Snelling has been a popular visitor attraction since the Legislature authorized its restoration in 1965. Since that time, over 3.5 million people from across the United States and Minnesota have toured the fort. In recent years, however, attendance

has begun to decline. It is imperative that the Fort update its programs and services to attract more diverse and expanded audiences, and to serve a new generation of school visitors.

In 1996, the Minnesota Historical Society completed conceptual plans for this project through a self-study grant from the National Endowment for the Humanities. The study was initiated to develop solutions for improved visitor service and for changing the interpretive focus of the site to attract and meet the needs of visitors in the next century. The self-study included a review of interpretive methods (including the living history program, films, and exhibits), special interpretive programs (including school services and programs for adult and senior citizens) and customer service (including accessibility, food service, retail programs, etc.).

The project has been developed to provide improved connection to and shared programs with the adjacent Fort Snelling State Park. Plans for historic fort redevelopment have been coordinated with park staff and are consistent with goals of the new Fort Snelling State Park Master Plan.

IMPACT ON AGENCY OPERATING BUDGETS (FACILITIES NOTE):

This project will have a modest impact on the operating budget with the addition of a volunteer coordinator (1 FTE), increased interpretive staffing (2 FTE), maintenance (1 FTE), and programming costs. By 2006-07 these costs will be offset 41% through an increase in revenue. The addition of a volunteer coordinator position will promote a more active interpretive program without additional staff costs.

OTHER CONSIDERATIONS:

- Restoration of Fort Snelling was substantially complete nearly 30 years ago. The Fort is an icon in Minnesota and a nonrenewable resource. It is time once again to update and repair exhibits, buildings, and grounds.
- Minnesota will commemorate the 150th anniversary of its establishment as a territory in 1999. Fort Snelling, which played a pivotal role in establishment of the territory, should be central to the sesquicentennial celebration.

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AGENCY CAPITAL BUDGET REQUEST
 Fiscal Years 1998-2003
 Dollars in Thousands (\$137,500 = \$138 thousand)

TOTAL PROJECT COSTS All Years and All Funding Sources	Project Costs All Prior Years	Project Costs FY 1998-99	Project Costs FY 2000-01	Project Costs FY 2002-03	Project Costs All Years	Project Start (Month/Year)	Project Finish (Month/Year)
1. Property Acquisition							
Land, Land and Easements, Options	\$0	\$0	\$0	\$0	\$0		
Buildings and Land	0	0	0	0	0		
SUBTOTAL	0	0	0	0	0		
2. Predesign							
SUBTOTAL	0	0	0	0	0		
3. Design Fees							
Schematic	0	0	0	0	0		
Design Development	0	0	0	0	0		
Contract Documents	0	0	0	0	0		
Construction Administration	0	0	0	0	0		
SUBTOTAL	0	0	0	0	0		
4. Project Management							
State Staff Project Management	0	0	0	0	0		
Construction Management	0	0	0	0	0		
SUBTOTAL	0	0	0	0	0		
5. Construction Costs							
Site & Building Preparation	0	0	0	0	0	07/1998	02/1999
Demolition/Decommissioning	0	0	0	0	0		
Construction	0	265	0	0	265		
Infrastructure/Roads/Utilities	0	0	0	0	0		
Hazardous Material Abatement	0	0	0	0	0		
Construction Contingency	0	0	0	0	0		
SUBTOTAL	0	265	0	0	265		
6. Art							
SUBTOTAL	0	0	0	0	0		
7. Occupancy							
Furniture, Fixtures and Equipment	0	35	0	0	35	01/1999	04/1999
Telecommunications (voice & data)	0	0	0	0	0		
Security Equipment	0	0	0	0	0		
Commissioning	0	0	0	0	0		
SUBTOTAL	0	35	0	0	35		
8. Inflation							
Midpoint of Construction		11/1998					
Inflation Multiplier		6.90%	0.00%	0.00%			
Inflation Cost	SUBTOTAL	21	0	0	21		
9. Other							
SUBTOTAL	350	270	2,145	0	2,765	07/1998	04/1999
GRAND TOTAL	\$350	\$591	\$2,145	\$0	\$3,086		

CAPITAL FUNDING SOURCES	Prior Years	FY 1998-99	FY 2000-01	FY 2002-03	TOTAL
State Funds :					
G.O Bonds/State Bldgs	350	591	2,145	0	3,086
State Funds Subtotal	350	591	2,145	0	3,086
Agency Operating Budget Funds	0	0	0	0	0
Federal Funds	0	0	0	0	0
Local Government Funds	0	0	0	0	0
Private Funds	0	0	0	0	0
Other	0	0	0	0	0
TOTAL	350	591	2,145	0	3,086

IMPACT ON STATE OPERATING COSTS	Current FY 1998-99	Projected Costs (Without Inflation)			
		FY 1998-99	FY 2000-01	FY 2002-03	FY 2004-05
Compensation -- Program and Building Operation	0	0	152	242	242
Other Program Related Expenses	0	0	50	82	82
Building Operating Expenses	0	0	16	30	30
State-Owned Lease Expenses	0	0	0	0	0
Nonstate-Owned Lease Expenses	0	0	0	0	0
Expenditure Subtotal	0	0	218	354	354
Revenue Offsets	0	0	<60>	<120>	<130>
TOTAL	0	0	158	234	224
Change from Current FY 1998-99		0	158	234	224
Change in F.T.E. Personnel		0.0	2.0	2.0	0.0

PREVIOUS STATE CAPITAL APPROPRIATIONS FOR THIS PROJECT (Legal Citations)	Amount
Laws of Minnesota (year), Chapter, Section, Subdivision	
Laws 1996, Chapter 463, Section 22, Subd. 2, (part of Asset Pres)	350

SOURCE OF FUNDS FOR DEBT SERVICE PAYMENTS (For bond-financed projects)	Amount	Percent of Total
General Fund	591	100.0%
User Financing	0	0.0%

STATUTORY AND OTHER REQUIREMENTS	
Project applicants should be aware that the following requirements will apply to their projects after adoption of the bonding bill.	
Yes	MS 16B.335 (1a): Construction/Major Remodeling Review (Legislature)
No	MS 16B.335 (1b): Project Exempt From This Review (Legislature)
No	MS 16B.335 (2): Other Projects (Legislative Notification)
No	MS 16B.335 (3): Predesign Requirement (Administration Dept)
Yes	MS 16B.335 (4): Energy Conservation Requirements (Agency)
No	MS 16B.335 (5): Information Technology Review (Office of Technology)
No	MS 16A.695: Use Agreement Required (Finance Dept)
No	MS 16A.695: Program Funding Review Required (Agency)
No	Matching Funds Required (as per agency request)

Department of Administration Analysis:

The nature of this request does not require a predesign submittal.

Department of Finance Analysis:

This proposal is a refinement of a request MHS submitted in the last biennium. Its improvement is the result of a study of Fort Snelling funded by the National Endowment for the Humanities. The site needs to be updated and revitalized so that it can regain its place as one of the most important historic visitor destinations in the state. The project should be further refined so that either the proposed increase of 4 FTE is not needed or so that the site generates enough new revenues to cover any increased operating costs.

Governor's Recommendation:

The Governor does not recommend capital funds for this project.

STATEWIDE STRATEGIC SCORE		
Criteria	Values	Points
Critical Life Safety Emergency - Existing Hazards	0/700	0
Critical Legal Liability - Existing Liability	0/700	0
Prior Binding Commitment	0/700	0
Strategic Linkage - Agency Six Year Plan	0/40/80/120	80
Safety/Code Concerns	0/35/70/105	35
Customer Service/Statewide Significance	0/35/70/105	70
Agency Priority	0/25/50/75/100	50
User and Non-State Financing	0-100	0
State Asset Management	0/20/40/60	40
State Operating Savings or Operating Efficiencies	0/20/40/60	0
Contained in State Six-Year Planning Estimates	0/25/50	25
TOTAL	700 Maximum	300

PROJECT LOCATION: Capitol Building - St. Paul - Ramsey County

AGENCY PROJECT PRIORITY: 7 of 9

1998 STATE APPROPRIATION REQUEST: \$165

PROJECT DESCRIPTION:

This project will provide for the preservation and restoration of the original 1905 furnishings in the Minnesota State Capitol. The project includes: 1) providing moving and storage expenses; 2) conducting a survey of all furnishings on the inventory, which includes chairs, desks, tables and sofas to determine necessary conservation measures to preserve them; 3) continuing the restoration of furnishings in the governor's reception room and office; 4) providing for emergency conservation measures of furnishings and works of art; and 5) completing the furnishings plan and beginning its implementation. The requested funds, if approved, will fully implement this project.

PROJECT RATIONALE AND RELATIONSHIP TO AGENCY LONG-RANGE STRATEGIC PLAN AND CAPITAL PLAN:

As provided in M.S. Chapter 138.67-138.69, the Minnesota Historical Society has responsibility to preserve artwork in the State Capitol area, including over 800 custom furnishing pieces which include such objects as chairs, desks, tables, and sofas. Funds provided for this will ensure that restoration and conservation measures on all furnishings will be in accord with standards set by the American Institute for Conservation of Historical and Artistic Works and will enable the Minnesota Historical Society to meet its statutory responsibilities. The conservation and preservation of these works of art and furnishings is essential for the integrity of the Capitol building and its public areas.

IMPACT ON AGENCY OPERATING BUDGETS (FACILITIES NOTE):

None.

OTHER CONSIDERATIONS:

Year 2005 marks the 100th anniversary of Capitol construction. The Minnesota Historical Society, the Capitol Area Architectural and Planning Board and Department of Administration are cooperating to prepare the building for its centennial celebration and to complete restoration plans. This furnishings project represents the Society's portion of that effort.

PROJECT CONTACT PERSON, TITLE, ADDRESS, PHONE, FAX, AND E-MAIL:

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AGENCY CAPITAL BUDGET REQUEST
Fiscal Years 1998-2003
Dollars in Thousands (\$137,500 = \$138 thousand)

TOTAL PROJECT COSTS All Years and All Funding Sources	Project Costs All Prior Years	Project Costs FY 1998-99	Project Costs FY 2000-01	Project Costs FY 2002-03	Project Costs All Years	Project Start (Month/Year)	Project Finish (Month/Year)
1. Property Acquisition							
Land, Land and Easements, Options	\$0	\$0	\$0	\$0	\$0		
Buildings and Land	0	0	0	0	0		
SUBTOTAL	0	0	0	0	0		
2. Predesign							
SUBTOTAL	0	0	0	0	0		
3. Design Fees							
Schematic	0	0	0	0	0		
Design Development	0	0	0	0	0		
Contract Documents	0	0	0	0	0		
Construction Administration	0	0	0	0	0		
SUBTOTAL	0	0	0	0	0		
4. Project Management							
State Staff Project Management	0	0	0	0	0		
Construction Management	0	0	0	0	0		
SUBTOTAL	0	0	0	0	0		
5. Construction Costs							
Site & Building Preparation	0	0	0	0	0		
Demolition/Decommissioning	0	0	0	0	0		
Construction	0	0	0	0	0		
Infrastructure/Roads/Utilities	0	0	0	0	0		
Hazardous Material Abatement	0	0	0	0	0		
Construction Contingency	0	0	0	0	0		
SUBTOTAL	0	0	0	0	0		
6. Art							
SUBTOTAL	0	0	0	0	0		
7. Occupancy							
Furniture, Fixtures and Equipment	0	0	0	0	0		
Telecommunications (voice & data)	0	0	0	0	0		
Security Equipment	0	0	0	0	0		
Commissioning	0	0	0	0	0		
SUBTOTAL	0	0	0	0	0		
8. Inflation							
Midpoint of Construction							
Inflation Multiplier		0.00%	0.00%	0.00%			
Inflation Cost		0	0	0	0		
SUBTOTAL		0	0	0	0		
9. Other							
SUBTOTAL	0	165	150	150	465	07/1998	06/2000
GRAND TOTAL	\$0	\$165	\$150	\$150	\$465		

CAPITAL FUNDING SOURCES	Prior Years	FY 1998-99	FY 2000-01	FY 2002-03	TOTAL
State Funds :					
General Fund Projects	0	165	150	150	465
State Funds Subtotal	0	165	150	150	465
Agency Operating Budget Funds	0	0	0	0	0
Federal Funds	0	0	0	0	0
Local Government Funds	0	0	0	0	0
Private Funds	0	0	0	0	0
Other	0	0	0	0	0
TOTAL	0	165	150	150	465

IMPACT ON STATE OPERATING COSTS	Current FY 1998-99	Projected Costs (Without Inflation)			
		FY 1998-99	FY 2000-01	FY 2002-03	FY 2004-05
Compensation -- Program and Building Operation	0	0	0	0	0
Other Program Related Expenses	0	0	0	0	0
Building Operating Expenses	0	0	0	0	0
State-Owned Lease Expenses	0	0	0	0	0
Nonstate-Owned Lease Expenses	0	0	0	0	0
Expenditure Subtotal	0	0	0	0	0
Revenue Offsets	0	0	0	0	0
TOTAL	0	0	0	0	0
Change from Current FY 1998-99		0	0	0	0
Change in F.T.E. Personnel		0.0	0.0	0.0	0.0

SOURCE OF FUNDS FOR DEBT SERVICE PAYMENTS (For bond-financed projects)	Amount	Percent of Total
General Fund	0	100.0%
User Financing	0	0.0%

STATUTORY AND OTHER REQUIREMENTS	
Project applicants should be aware that the following requirements will apply to their projects after adoption of the bonding bill.	
No	MS 16B.335 (1a): Construction/Major Remodeling Review (Legislature)
Yes	MS 16B.335 (1b): Project Exempt From This Review (Legislature)
No	MS 16B.335 (2): Other Projects (Legislative Notification)
No	MS 16B.335 (3): Predesign Requirement (Administration Dept)
No	MS 16B.335 (4): Energy Conservation Requirements (Agency)
No	MS 16B.335 (5): Information Technology Review (Office of Technology)
No	MS 16A.695: Use Agreement Required (Finance Dept)
No	MS 16A.695: Program Funding Review Required (Agency)
No	Matching Funds Required (as per agency request)

Department of Finance Analysis:

This project is not bondable and requires general fund dollars. MHS has not adequately demonstrate a sound reasons these items need to be completed at this time. Conducting a survey of all the furnishings in the capital should be funded out of the Society's existing resources.

Governor's Recommendation:

The Governor does not recommend capital funds for this project.

STATEWIDE STRATEGIC SCORE		
Criteria	Values	Points
Critical Life Safety Emergency - Existing Hazards	0/700	0
Critical Legal Liability - Existing Liability	0/700	0
Prior Binding Commitment	0/700	0
Strategic Linkage - Agency Six Year Plan	0/40/80/120	80
Safety/Code Concerns	0/35/70/105	0
Customer Service/Statewide Significance	0/35/70/105	35
Agency Priority	0/25/50/75/100	25
User and Non-State Financing	0-100	0
State Asset Management	0/20/40/60	20
State Operating Savings or Operating Efficiencies	0/20/40/60	0
Contained in State Six-Year Planning Estimates	0/25/50	25
TOTAL	700 Maximum	185

PROJECT LOCATION: Elk River - Sherburne County

AGENCY PROJECT PRIORITY: 8 of 9

1998 STATE APPROPRIATION REQUEST: \$429

PROJECT DESCRIPTION:

This project involves the construction of a 12,000 square foot agricultural equipment storage and maintenance building to house the various farm implements used at the Oliver H. Kelley historic site and to provide behind-the-scenes support for the agricultural living history program.

The building will provide indoor storage for both modern and nineteenth century equipment. This will help the Society preserve and operate the equipment for a longer time (currently, both a new tractor and historic equipment are stored outdoors year round where they suffer accelerated deterioration from the elements). In addition, the building will provide maintenance space, a processing area for storing, sorting, and starting heirloom seeds, animal husbandry areas (such as a brooding space for young chickens), expanded storage space so that historic farming equipment can be acquired and preserved before it is lost completely, and a dressing area for costumed, living history staff.

The building will be located in the farm's caretaker complex, which is located adjacent to but away from the historic farm area.

PROJECT RATIONALE AND RELATIONSHIP TO AGENCY LONG-RANGE STRATEGIC PLAN AND CAPITAL PLAN:

The Oliver Kelley Farm operates a highly acclaimed living history program with a working historic farm. School children and adults from all across the state visit the farm to experience first hand a traditional agricultural way of life that is rapidly disappearing from Minnesota. Every year the farm receives letters from children thanking the Minnesota Historical Society for maintaining a working farm with animals that they can visit.

The Kelley Farm has been operating for years with minimal behind-the-scenes staging areas needed to bring the farm to life for visitors. Throughout the year people come to the farm to experience and participate in such activities as plowing with draft horses and oxen, shearing sheep, threshing with a horse-powered treadmill, and processing freshly harvested sorghum into molasses. What visitors don't see are the twentieth century equipment and activities that are used during nonpublic hours to make it possible to operate the farm in the most cost-effective manner.

The proposed facility is a basic element of the farm's operation. Its use will increase the equipment life at the farm by storing it in a proper manner. Much of the equipment is 19th century vintage wooden farm machinery which deteriorates quickly. Further, the farm currently improvises a number of minimally satisfactory options for animal husbandry and heirloom seed preservation. The current structures in use for these operations barely meet code or are not adequate to do the job safely and efficiently. Last, the building will provide much needed dressing rooms and showers for living history interpretive staff. Currently, these facilities are not available.

Funding for the project was requested in 1996 but was not received.

IMPACT ON AGENCY OPERATING BUDGETS (FACILITIES NOTE):

Utility and heating costs will increase by \$7 thousand annually.

PROJECT CONTACT PERSON, TITLE, ADDRESS, PHONE, FAX, AND E-MAIL:

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AGENCY CAPITAL BUDGET REQUEST
Fiscal Years 1998-2003
Dollars in Thousands (\$137,500 = \$138 thousand)

TOTAL PROJECT COSTS All Years and All Funding Sources	Project Costs All Prior Years	Project Costs FY 1998-99	Project Costs FY 2000-01	Project Costs FY 2002-03	Project Costs All Years	Project Start (Month/Year)	Project Finish (Month/Year)
1. Property Acquisition							
Land, Land and Easements, Options	\$0	\$0	\$0	\$0	\$0		
Buildings and Land	0	0	0	0	0		
SUBTOTAL	0	0	0	0	0		
2. Predesign	4	0	0	0	4	07/1997	12/1997
3. Design Fees							
Schematic	0	4	0	0	4	07/1998	09/1998
Design Development	0	6	0	0	6	10/1998	12/1998
Contract Documents	0	12	0	0	12	01/1999	03/1999
Construction Administration	0	7	0	0	7	04/1999	09/1999
SUBTOTAL	0	29	0	0	29		
4. Project Management							
State Staff Project Management	0	0	0	0	0		
Construction Management	0	0	0	0	0		
SUBTOTAL	0	0	0	0	0		
5. Construction Costs						04/1999	09/1999
Site & Building Preparation	0	0	0	0	0		
Demolition/Decommissioning	0	0	0	0	0		
Construction	0	360	0	0	360		
Infrastructure/Roads/Utilities	0	0	0	0	0		
Hazardous Material Abatement	0	0	0	0	0		
Construction Contingency	0	0	0	0	0		
SUBTOTAL	0	360	0	0	360		
6. Art	0	0	0	0	0		
7. Occupancy							
Furniture, Fixtures and Equipment	0	0	0	0	0		
Telecommunications (voice & data)	0	0	0	0	0		
Security Equipment	0	0	0	0	0		
Commissioning	0	0	0	0	0		
SUBTOTAL	0	0	0	0	0		
8. Inflation							
Midpoint of Construction		07/1999					
Inflation Multiplier		10.20%	0.00%	0.00%			
Inflation Cost		40	0	0	40		
SUBTOTAL							
9. Other	0	0	0	0	0		
GRAND TOTAL	\$4	\$429	\$0	\$0	\$433		

AGENCY CAPITAL BUDGET REQUEST
Fiscal Years 1998-2003
Dollars in Thousands (\$137,500 = \$138 thousand)

CAPITAL FUNDING SOURCES	Prior Years	FY 1998-99	FY 2000-01	FY 2002-03	TOTAL
State Funds :					
G.O Bonds/State Bldgs	0	429	0	0	429
State Funds Subtotal	0	429	0	0	429
Agency Operating Budget Funds	4	0	0	0	4
Federal Funds	0	0	0	0	0
Local Government Funds	0	0	0	0	0
Private Funds	0	0	0	0	0
Other	0	0	0	0	0
TOTAL	4	429	0	0	433

IMPACT ON STATE OPERATING COSTS	Current FY 1998-99	Projected Costs (Without Inflation)			
		FY 1998-99	FY 2000-01	FY 2002-03	FY 2004-05
Compensation -- Program and Building Operation	0	0	0	0	0
Other Program Related Expenses	0	0	0	0	0
Building Operating Expenses	0	0	14	14	14
State-Owned Lease Expenses	0	0	0	0	0
Nonstate-Owned Lease Expenses	0	0	0	0	0
Expenditure Subtotal	0	0	14	14	14
Revenue Offsets	0	0	0	0	0
TOTAL	0	0	14	14	14
Change from Current FY 1998-99		0	14	14	14
Change in F.T.E. Personnel		0.0	0.0	0.0	0.0

SOURCE OF FUNDS FOR DEBT SERVICE PAYMENTS (For bond-financed projects)	Amount	Percent of Total
General Fund	429	100.0%
User Financing	0	0.0%

STATUTORY AND OTHER REQUIREMENTS	
Project applicants should be aware that the following requirements will apply to their projects after adoption of the bonding bill.	
No	MS 16B.335 (1a): Construction/Major Remodeling Review (Legislature)
Yes	MS 16B.335 (1b): Project Exempt From This Review (Legislature)
No	MS 16B.335 (2): Other Projects (Legislative Notification)
No	MS 16B.335 (3): Predesign Requirement (Administration Dept)
No	MS 16B.335 (4): Energy Conservation Requirements (Agency)
No	MS 16B.335 (5): Information Technology Review (Office of Technology)
No	MS 16A.695: Use Agreement Required (Finance Dept)
No	MS 16A.695: Program Funding Review Required (Agency)
No	Matching Funds Required (as per agency request)

Department of Administration Analysis:

The nature of this construction project does not require a predesign submittal.

Department of Finance Analysis:

The scope of this project should be scaled back. As proposed, the project includes heated storage space, showers and changing rooms for staff. The more pressing need appears to be indoor storage space for both the modern and historic farm equipment. The machinery is experiencing unnecessary wear by being left outside year round. An unheated structure to house this equipment would save replacement and repair costs as well as to protect those historic machines that are not replaceable. The other components of this proposal would be nice additions to the farm but would not increase revenues nor would they make the farm more productive or provide a better interpretation of the site.

STATEWIDE STRATEGIC SCORE		
Criteria	Values	Points
Critical Life Safety Emergency - Existing Hazards	0/700	0
Critical Legal Liability - Existing Liability	0/700	0
Prior Binding Commitment	0/700	0
Strategic Linkage - Agency Six Year Plan	0/40/80/120	80
Safety/Code Concerns	0/35/70/105	0
Customer Service/Statewide Significance	0/35/70/105	35
Agency Priority	0/25/50/75/100	25
User and Non-State Financing	0-100	0
State Asset Management	0/20/40/60	20
State Operating Savings or Operating Efficiencies	0/20/40/60	20
Contained in State Six-Year Planning Estimates	0/25/50	25
TOTAL	700 Maximum	205

Governor's Recommendation:

The Governor does not recommend capital funds for this project.

PROJECT LOCATION: Nicollet County

AGENCY PROJECT PRIORITY: 9 of 9

1998 STATE APPROPRIATION REQUEST: \$267

PROJECT DESCRIPTION:

The Minnesota Historical Society operates a network of historic sites based on the theme of "History Where it Happened." These sites help to interpret a wide variety of themes to the visitor ranging from the history of the lumbering industry to the fur trapping era to life in a turn-of-the-century village. Each of these sites interprets a particular part of Minnesota history through exhibits at a visitor center or historic house. Often history happened outside, near or at a natural feature, or archaeological ruin.

The purpose of this request is to develop the Heritage Trail system at a number of Historic Sites, including the Traverse des Sioux Treaty Site (1998-99), the Upper Sioux Agency (2000-2001), and Fort Ridgely (2002-2003), in order to more fully explain, through trails and interpretive markers, how events affected the people associated with these sites.

Planning for the Traverse des Sioux project was funded by the Legislative Commission on Minnesota Resources in 1994. This request would allow an improvement and upgrading of existing accesses, abandonment of old roads and areas not needed for public programming, and would allow for new trails and interpretive kiosks and markers to be installed.

PROJECT RATIONALE AND RELATIONSHIP TO AGENCY LONG-RANGE STRATEGIC PLAN AND CAPITAL PLAN:

This request reflects the Society's effort to interpret Minnesota's history at the maximum level within available resources. The Heritage Trail system will have only minimal operating cost increases. The development of Heritage Trails will fulfill the public's desire to enjoy outdoor recreation, while simultaneously serving an educational function.

The Legislative Commission on Minnesota Resources provided the Minnesota Historical Society funding (\$68 thousand) in 1993 to develop a master plan for the Traverse des Sioux Historic Site, (a part of the Minnesota Historic Sites network) including an archaeological investigation. This master plan has been developed in consultation with MHS, Native Americans, related agencies and organizations, and especially the Nicollet County Historical Society, which has built a visitors center adjacent to the site. The improvements, based upon the plan, will imaginatively

interpret the site and make it accessible to the public as a logical extension of the visitors center experience. This joint effort, located adjacent to a major highway (US 169) should attract a large number of visitors, in excess of 50,000 per year.

IMPACT ON AGENCY OPERATING BUDGETS (FACILITIES NOTE):

The projects will add a small amount for maintenance to the operating budget.

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AGENCY CAPITAL BUDGET REQUEST
Fiscal Years 1998-2003
Dollars in Thousands (\$137,500 = \$138 thousand)

CAPITAL FUNDING SOURCES	Prior Years	FY 1998-99	FY 2000-01	FY 2002-03	TOTAL
State Funds :					
G.O Bonds/State Bldgs	68	267	229	317	881
State Funds Subtotal	68	267	229	317	881
Agency Operating Budget Funds	0	0	0	0	0
Federal Funds	0	0	0	0	0
Local Government Funds	0	0	0	0	0
Private Funds	0	0	0	0	0
Other	0	0	0	0	0
TOTAL	68	267	229	317	881

SOURCE OF FUNDS FOR DEBT SERVICE PAYMENTS (For bond-financed projects)	Amount	Percent of Total
General Fund	267	100.0%
User Financing	0	0.0%

IMPACT ON STATE OPERATING COSTS	Current FY 1998-99	Projected Costs (Without Inflation)			
		FY 1998-99	FY 2000-01	FY 2002-03	FY 2004-05
Compensation -- Program and Building Operation	0	0	0	0	0
Other Program Related Expenses	0	0	10	20	30
Building Operating Expenses	0	0	0	0	0
State-Owned Lease Expenses	0	0	0	0	0
Nonstate-Owned Lease Expenses	0	0	0	0	0
Expenditure Subtotal	0	0	10	20	30
Revenue Offsets	0	0	0	0	0
TOTAL	0	0	10	20	30
Change from Current FY 1998-99		0	10	20	30
Change in F.T.E. Personnel		0.0	0.0	0.0	0.0

STATUTORY AND OTHER REQUIREMENTS	
Project applicants should be aware that the following requirements will apply to their projects after adoption of the bonding bill.	
No	MS 16B.335 (1a): Construction/Major Remodeling Review (Legislature)
Yes	MS 16B.335 (1b): Project Exempt From This Review (Legislature)
No	MS 16B.335 (2): Other Projects (Legislative Notification)
No	MS 16B.335 (3): Predesign Requirement (Administration Dept)
No	MS 16B.335 (4): Energy Conservation Requirements (Agency)
No	MS 16B.335 (5): Information Technology Review (Office of Technology)
No	MS 16A.695: Use Agreement Required (Finance Dept)
No	MS 16A.695: Program Funding Review Required (Agency)
No	Matching Funds Required (as per agency request)

PREVIOUS STATE CAPITAL APPROPRIATIONS FOR THIS PROJECT (Legal Citations)	Amount
Laws of Minnesota (year), Chapter, Section, Subdivision	
Laws 1993, Chapter 172, Section 14, Subdivision 10(w) (LCMR)	68

Department of Finance Analysis:

This project would minimally increase the number of visitors to these sites, as such any revenue increase would also be minimal. The desired interpretive markers should be funded out of the the agency's existing budget. The Society should seek local funding for each trail. MHS should also also explore other means to fund or minimize the projected increase new trails would have on operating budgets.

Governor's Recommendation:

The Governor does not recommend capital funds for this project.

STATEWIDE STRATEGIC SCORE		
Criteria	Values	Points
Critical Life Safety Emergency - Existing Hazards	0/700	0
Critical Legal Liability - Existing Liability	0/700	0
Prior Binding Commitment	0/700	0
Strategic Linkage - Agency Six Year Plan	0/40/80/120	80
Safety/Code Concerns	0/35/70/105	0
Customer Service/Statewide Significance	0/35/70/105	35
Agency Priority	0/25/50/75/100	25
User and Non-State Financing	0-100	0
State Asset Management	0/20/40/60	0
State Operating Savings or Operating Efficiencies	0/20/40/60	0
Contained in State Six-Year Planning Estimates	0/25/50	25
TOTAL	700 Maximum	165

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AGENCY CAPITAL BUDGET REQUEST
Fiscal Years 1998-2003
 Dollars in Thousands (\$137,500 = \$138 thousand)

Project Title	1998 Agency Priority Ranking	Agency Project Requests for State Funds (\$ by Session)				Statewide Strategic Score	Governor's Recommendation 1998	Governor's Planning Estimate	
		1998	2000	2002	Total			2000	2002
Energy Investment Loan Program	1	\$10,950	\$8,100	\$8,100	\$27,150	475	\$8,000	\$8,000	\$8,000
Total Project Requests		\$10,950	\$8,100	\$8,100	\$27,150		\$8,000	\$8,000	\$8,000

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AGENCY MISSION STATEMENT:

The mission of the Department of Public Service (DPS) is to provide leadership for Minnesota consistent with the goals of enhancing the environment and quality of life. As a consumer protection agency, we accomplish this goal through developing, advocating, and implementing equitable policies regarding energy, telecommunications, and standards for weights and measures, and providing education, information, and programs to the public.

One of the broad areas of responsibility of the DPS is development and implementation of effective energy policies within Minnesota. This is carried out through the Energy Regulation and Resource Management Division, commonly referred to as the Energy Division. The mission of the Energy Division is to ensure reliable, affordable, and environmentally sound energy supplies for Minnesota now and into the future. The department strives to achieve this mission through programs that:

- Protect consumers from unreasonable and unfair rates and practices through intervention and advocacy before the Minnesota Public Utilities Commission (PUC).
- Mandate appropriate utility investments in Conservation Improvement Programs (CIP).
- Examine future energy supply needs through an Integrated Resource Planning process so that unnecessary power plant construction, with its high economic and environmental costs, is avoided.
- Intervene on the state's behalf in energy matters at the federal level. This advocacy role is carried out in coordination with the PUC, the Minnesota Attorney General's Office, the Environmental Quality Board (EQB), and other state agencies.
- Enable consumers to use energy wisely by providing unbiased, accurate information on energy use and by providing guidance and technical assistance to all types of consumers.
- Assure the state's ability to cope with energy supply/price issues by actively monitoring and maintaining statewide data on energy supplies, demand, price, forecasts, trends, and technology.
- Provide financial assistance through state and federal programs that encourages schools, hospitals, cities, and counties to become more energy efficient.

A central theme in all of these programs is to increase energy efficiency for all of the state's energy consumers. In both the 1992 and 1996 *Energy Policy and Conservation Report*, the DPS established a statewide goal of improving the efficiency of our state's energy use by at least 30% by the year 2020, while maintaining comfort and lowering cost.

TRENDS, POLICIES AND OTHER ISSUES AFFECTING THE DEMAND FOR SERVICES, FACILITIES OR CAPITAL PROGRAMS:

Despite improvements in energy efficiency, energy consumption continues to grow in Minnesota. Of particular concern is the rapid growth in demand for electricity and transportation related petroleum products. Given the environmental costs of using these resources and the political "costs" of obtaining energy from foreign sources, implementing available conservation and renewable energy technologies is very important.

Most public schools, cities, and counties own large, energy consuming buildings, many of which were built before concern over energy use and cost was an issue. These public facilities, supported by the local taxpayer, are often good candidates for energy conservation retrofit. Investment in energy efficiency in these buildings not only provides better, more comfortable public facilities, it also reduces the cost of operation, improves the environment, and reduces U.S. dependence on foreign energy sources. These buildings are also very visible within their own communities. Often energy conservation or renewable energy projects within these buildings become models for community residents.

Yet capital to make energy efficiency improvements is difficult for many institutions to secure. There is state and local pressure to keep property taxes low and building referendums are often difficult to pass. Efficiency improvements at the local level must compete for available funds with mandates related to accessibility, fire, and safety. Often maintenance and building repair are the first items reduced in the budget. The federal government used to provide some grant funding for energy conservation in schools and hospitals, but that program has been discontinued. Utilities in some areas have also made funds available, but deregulation and competitive issues are making utilities rethink their conservation investment plans.

PROVIDE A SELF-ASSESSMENT OF THE CONDITION, SUITABILITY AND FUNCTIONALITY OF PRESENT FACILITIES, CAPITAL PROJECTS OR ASSETS:

Many of the public school and local government buildings are old and energy

inefficient. They were built during a time when energy use and cost was not a concern. Many have single glazed windows, limited insulation, inefficient heating plants, old lighting technologies, and limited building operation expertise. Virtually all of these local governments are facing the pressure of shrinking budgets and limited federal and state revenues. Often building maintenance and retrofit are the first items cut from the tightening budgets. Those local governments with available funds are also faced with mandates for building upgrades in non-energy areas such as health, safety, fire and handicap accessibility.

DESCRIBE THE AGENCY'S LONG-RANGE STRATEGIC GOALS AND CAPITAL BUDGET PLAN:

As mentioned before, the department's 1992 and 1996 *Energy Policy and Conservation Report* lays out a long-term, strategic goal of improving statewide energy efficiency by at least 30% by the year 2020. The funding requested in this proposal is thoroughly consistent with this long term goal. The department estimates that loans funded by this additional financing capability will be sufficient to achieve an additional .2% to .4% reduction in total statewide energy use by the end of F.Y. 2005. This estimate is based on the department's 1982 *Energy Policy and Conservation Report* which reported that institutional energy use is approximately 9% of statewide energy use. This is the last year that institutional energy use data was maintained separately.

DPS estimates that the additional bonding authority requested would result in an additional \$4.3 million in annual energy cost savings by the end of the 6 year planning horizon.

AGENCY PROCESS USED TO ARRIVE AT THESE CAPITAL REQUESTS:

This is the only capital budget request being submitted by DPS. The department decided to submit this request after internal discussion on the increasing demand for and effectiveness of the Energy Investment Loan Program.

To arrive at the level of this request, DPS used historical program information in combination with recent program trends. DPS assumed continued basic loan volume of approximately 35 loans per year. This is close to the historical average as illustrated in the attachment *Energy Investment Loan Program: Loan Activity*. Since program operation has been stopped for 2 out of the last 4 years, the department increased the estimated number of loans in 1999 and 2000 to account for back-logged program demand. While the average loan size throughout the history of the program is approximately \$110 thousand, a trend toward larger loans has been developing. The average loan over the last 5 years has been approximately \$149 thousand. The DPS believes the average loan size will continue

to remain high as the department works with larger local governments and on leveraging larger, more comprehensive projects. For the purposes of estimating the capital budget needs of this program, the department has assumed the average size of future loans to be approximately \$150 thousand.

Estimates for the next 6 years are based on assumptions of number of loans and average loan size. The department anticipates a future loan volume of \$15.6 million through the end to the next 2 year capital budget period. Of this approximately \$3.9 million will be available through Exxon PVE funds and \$0.7 million from current unobligated bond proceeds. This creates a need for \$11.0 million in bonding authority to cover the next 2 year bonding cycle. Over the next 6 years, the department estimates \$27.2 million in bonding authority.

No specific input was solicited from program customers for this specific capital budget request. However, the increasing loan volumes of the last several years, and the fact that program operation was suspended twice in the last 3 years due to lack of funds, demonstrate that customer interest and program need remain high.

AGENCY CAPITAL BUDGET PROJECTS DURING THE LAST SIX YEARS (1990-1995):

Bonding authority to operate this program was established at \$30 million in 1983. An additional \$4.0 million in bonding authority was approved in both 1994 and 1996. Total bonding authority approved for this program now totals \$38.0 million.

Under section #3 it was stated that \$50.1 million in total loan projects had been funded by this program. Of this total, \$37.3 million has come from GO bond funding and \$12.8 million has come from Exxon PVE funding. To date, 457 loans have funded projects in 199 school districts, 11 counties, and 20 cities.

OTHER (OPTIONAL):

N/A

AGENCY CONTACT PERSON, TITLE, AND PHONE

Michael Roelofs, Manager
Energy Programs
612-297-2545

PROJECT LOCATION: Local governments statewide

AGENCY PROJECT PRIORITY: 1 of 1

1998 STATE APPROPRIATION REQUEST: \$10,950

The Department is seeking \$10.95 million in additional bonding authority to continue the operation of the 100% user financed Energy Investment Loan Program.

In 1983, the Minnesota Legislature created the Public School Energy Loan Program. In 1987, this program was expanded to include cities and counties, and its program name was changed to the Energy Investment Loan Program. This innovative program, one of the first in the nation, provided loans to public school districts to implement energy efficiency projects that paid for themselves within 10 years. The original source of capital for these loans was \$30 million in state general obligation (GO) bonds. In 1994 and in 1996, an additional \$4.0 million in GO bonding authority was approved by the legislature. In this program, the state sells GO bonds and issues loans to local governments with the proceeds. The source of funds for repayment of these loans is the energy cost savings attributable to the funded project. The local governments repay these loans over 10 years, and the repayments are used to pay the debt service on the bonds. This innovative program provides energy retrofit capital to local governments efficiently at a favorable interest rate and ensures that state GO bonds will be repaid.

The department has been successful in extending the impact of these bond funded loans by combining bond funds with Petroleum Violation Funds (PVE). PVE funds are moneys resulting from court settlements of petroleum pricing violations that occurred when oil prices were controlled in the late 1970s and early 1980s. Portions of these national settlements are awarded to the states, and the states determine how to use these funds. The largest of these PVE settlements was the Exxon Oil Overcharge settlement. In 1986, Minnesota received \$36 million in Exxon PVE funds. The Governor and legislature identified \$6.85 million to be used to establish a revolving loan program for schools, hospitals, and public buildings. This Exxon revolving loan program was developed to be fully integrated with the Energy Investment Loan Program and to meet all federal requirements associated with these PVE funds. This revolving loan mechanism began functioning in F.Y. 1989. It accomplishes the interest rate reduction through zero interest principal participation. This combination stretches the use of GO bond funds and provides a lower net interest cost to program customers.

Since the Energy Investment Loan Program began operation in 1984, the Energy Investment Loan Program and the Exxon PVE funds have financed \$50.1 million in cost-effective energy efficiency projects in public buildings. See table and graph attachments titled *Energy Investment Loan Program: Program Statistics* for details.

\$37.3 million has come from GO bond funds and \$12.8 million has come from Exxon PVE funds. (Fig 1.) This program has provided loans to 199 -- 54% -- of the state's 370 plus school districts. Eleven (12.9%) of Minnesota's 87 counties and 20 (2.5%) of Minnesota's over 800 cites have participated in this program.

Fiscal Year	Number of Loans		Historical Bond	Historical Exxon	Projected Bond	Projected Exxon	Total Loan Amount Approved	Average Loan Amount Historical	Average Loan Amount Projected
	Historical	Projected							
1984	34		\$ 3,754,118				\$ 3,754,118	\$ 110,415	
1985	67		\$ 7,663,654				\$ 7,663,654	\$ 114,383	
1986	46		\$ 5,828,005				\$ 5,828,005	\$ 126,696	
1987	25		\$ 1,393,345				\$ 1,393,345	\$ 55,734	
1988	18		\$ 842,197	\$ 503,083			\$ 1,345,280	\$ 74,736	
1989	32		\$ 976,690	\$ 829,684			\$ 1,806,374	\$ 56,418	
1990	29		\$ 879,002	\$ 681,494			\$ 1,560,496	\$ 53,810	
1991	36		\$ 1,146,907	\$ 940,148			\$ 2,087,055	\$ 57,974	
1992	28		\$ 1,245,702	\$ 1,154,820			\$ 2,400,522	\$ 85,733	
1993	30		\$ 2,405,262	\$ 2,216,759			\$ 4,622,021	\$ 154,067	
1994	28		\$ 3,023,201	\$ 1,824,433			\$ 4,847,634	\$ 173,130	
1995	40		\$ 4,574,231	\$ 2,533,988			\$ 7,108,219	\$ 177,705	
1996	3		\$ 162,276	\$ 160,244			\$ 322,520	\$ 107,507	
1997	41	5	\$ 3,441,550	\$ 1,915,517	\$ 363,860	\$ 363,857	\$ 6,084,784	\$ 130,660	\$ 145,543
1998		4			\$ 300,000	\$ 300,000	\$ 600,000		\$ 150,000
1999		55			\$ 6,250,000	\$ 2,000,000	\$ 8,250,000		\$ 150,000
2000		40			\$ 4,700,000	\$ 1,300,000	\$ 6,000,000		\$ 150,000
2001		35			\$ 4,050,000	\$ 1,200,000	\$ 5,250,000		\$ 150,000
2002		35			\$ 4,050,000	\$ 1,200,000	\$ 5,250,000		\$ 150,000
2003		35			\$ 4,050,000	\$ 1,200,000	\$ 5,250,000		\$ 150,000
2004		35			\$ 4,050,000	\$ 1,200,000	\$ 5,250,000		\$ 150,000
	457	244	\$37,336,140	\$12,759,170	\$27,813,860	\$8,763,857	\$86,673,027	\$ 109,618	
			Total State Bonding Authority		\$38,000,000	Average Loan Last Five Years		\$ 148,614	

Fig 1. Energy Investment Loan Program Statistics and Projections

Accrued energy cost savings over the life of the program are estimated at over 42 million. Annual energy cost savings are estimated at over \$6.4 million each year. (Fig. 2) DPS examination of actual energy use records of public schools, the major customer of this program, indicates that loan program participants are 7% more efficient in both heating and electrical energy use than non-participants.

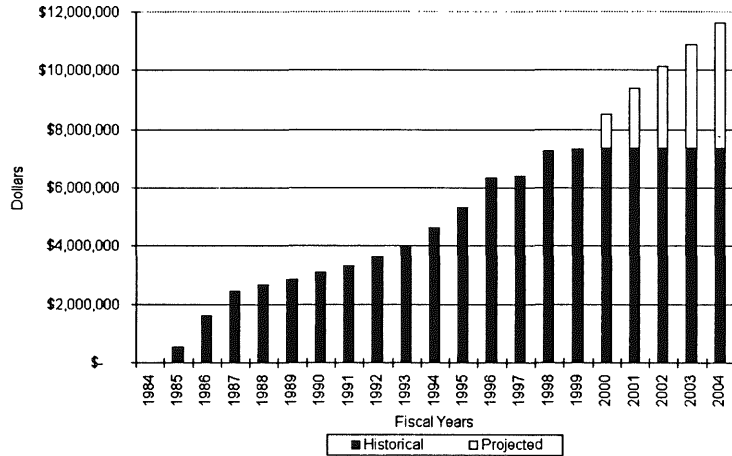


Fig 2. Annual Energy Cost Savings from Energy Investment Loan Program

Demand for this program has grown steadily over the last several years, from \$2.4 million in loans in F.Y. 1992 to \$7.1 million in F.Y. 1995. By May 1995, all bonding authority was exhausted, and all available Exxon PVE funds were obligated, including anticipated loan repayments through December 1995. Because there was no remaining bonding authority, the department suspended basic program operation in June of 1995. An additional \$4.0 million in bonding authority was approved in the 1996 capital budget. This authority was exhausted within 1 year, and basic program operation was suspended throughout most of F.Y. 1997. (Fig. 3 and 4)

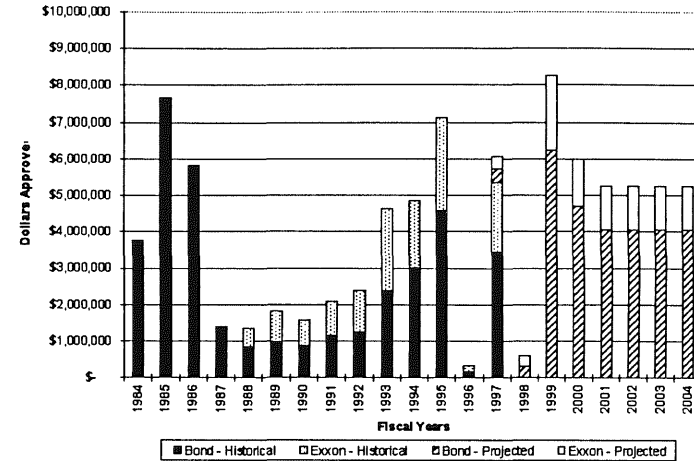


Fig 3. Energy Investment Loan Program Activity by Dollars Approved

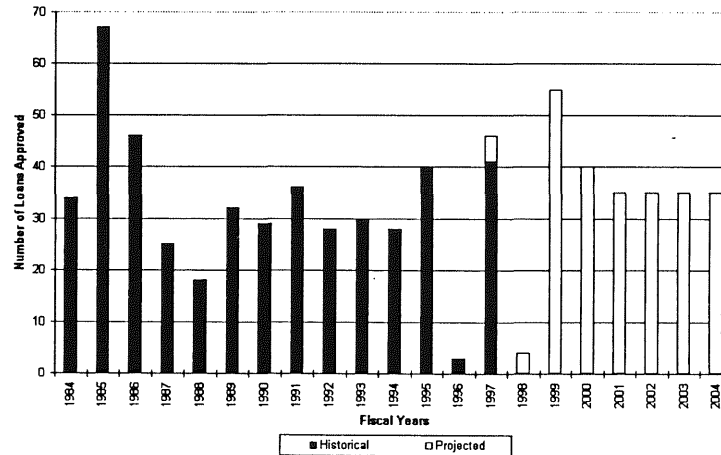


Fig 4. Energy Investment Loan Program Activity by Loans Approved

The department sees the Energy Investment Loan Program as ongoing. Prior to legislative enactment in 1983, the potential cost of cost-effective (less than 10 year payback) conservation investment in public schools alone was estimated at \$120 million - nearly 3 times the loan investment made to date. Since that original estimate, city and county buildings have been made eligible for the program, and

new cost-effective technologies have emerged. In the past several fiscal years, nearly 40% of loans have financed energy efficient lighting equipment that was not commercially available as recently as 5 years ago.

The uncertainty of imported sources, national Clean Air Act requirements, national Energy Policy Act requirements, debate about environmental aspects of various energy sources, and the current discussion about possible energy taxes show that the issue of energy use and efficiency is as important today as it was at the beginning of this program.

PROJECT RATIONALE AND RELATIONSHIP TO AGENCY LONG RANGE STRATEGIC PLAN AND CAPITAL PLAN: The energy efficiency and cost savings that result from providing this loan capital is thoroughly consistent with the strategic goals of the department. As mentioned before, the department's 1992 and 1996 *Energy Policy and Conservation Report* lays out a long-term, strategic goal of improving state wide energy efficiency by at least 30% by the year 2020. The funding requested in this proposal is thoroughly consistent with this long term goal. The DPS estimates that loans funded by this additional financing capability will be sufficient to achieve an additional .2% to .4% reduction in total state wide energy use by the end of F.Y. 2005. This estimate is based on the department's 1982 *Energy Policy and Conservation Report* which reported that institutional energy use is approximately 9% of state wide energy use. This is the last year that institutional energy use data was maintained separately.

DPS estimates that the additional bonding authority requested would result in an additional \$4.3 million in annual energy cost savings by the end of the 6 year planning horizon.

IMPACT ON AGENCY OPERATING BUDGET: There will be no impact on the operating budget of the department.

There will be a positive impact of reduced utility costs for all of the local governments that participate in this program.

In the past about half of these loans have gone to public schools eligible for the Debt Equalization Aid (DEA) program operated by the Department of Children, Families, and Learning (DCFL). Additional bonding authority for the Energy Investment Loan Program will likely increase demands on the DEA budget. The DPS and DCFL staff have estimated the additional equalization aid costs of \$439 thousand in F.Y. 2000-2001, \$875 thousand in F.Y. 2002-2003, and \$1,166 thousand in F.Y. 2004-2005. These additional costs are small relative to the amount of capital work that will be accomplished with the additional bonding authority requested and to the total size of the DEA program at DCFL.

OTHER (OPTIONAL): 100% User Financed: All bonds sold for this program are

repaid from the local government loan repayments. Money to repay these loans is actually generated from the energy cost savings resulting from the funded project. Bond sale costs are also added to the local government loan repayment schedule.

As mentioned above, a portion of the debt service provided by public schools will come from the DEA program.

Never a Loan Default: The department designed the Energy Investment Loan Program to be flexible for the customer, yet to fully protect the interests of the state bond holders in the event of unusual circumstances. This protection is built into our rules, applications, and contracts. All loan applications contain assurances that the building will continue to be operated and maintained by the district in the future. The application must include an irrevocable repayment resolution, passed by the school board. This resolution makes sure that the debt assumed by the school under this loan obligation is made with appropriate opportunity for citizen access. The program rules specify that only projects with useful lives greater than the remaining useful life of the building will be considered for funding. Finally, our contracts state that the loan can be made due and payable if the building is closed or sold.

Predominantly Public Schools: Most of the program participants are public schools. Public schools account for 86% of the institutions assisted and 95% of the total loan financing approved by this program.

Public School Consolidation: There is a tremendous transition in public schools primarily related to building closures and district consolidation. The Energy Investment Loan Program has been useful for districts facing consolidation decisions. The DPS has often been asked to provide data or information about building energy use or the potential cost of energy efficient renovation of specific buildings as the schools face the tough decisions associated with consolidation. In some instances, our financing has been used to upgrade a school facility, so it is more attractive as a community space, lease space, or possible sale. Our contracts provide protection to the state by ensuring that all debt obligation associated with the program is transferred in the case of consolidation or paid-off in the case of building sale. While DPS has no formal mechanism to coordinate these loan applications with the Department of Education master plan for district consolidation, the department has designed the program with adequate protection and flexibility for the consolidation process.

Expansion Into Renewable Energy: Most of the projects financed through this program have been energy efficiency projects. However, in 1996 the department used an Energy Investment Loan along with federal funds to finance the first public school wind turbine in the state at Lac Qui Parle High School.

AGENCY CONTACT PERSON, TITLE, AND PHONE: Michael Roelofs, Manager
Energy Programs, 612-297-2545

AGENCY CAPITAL BUDGET REQUEST
Fiscal Years 1998-2003
Dollars in Thousands (\$137,500 = \$138 thousand)

CAPITAL FUNDING SOURCES	Prior Years	FY 1998-99	FY 2000-01	FY 2002-03	TOTAL
State Funds :					
G.O Bonds/State Bldgs	38,000	10,950	8,100	8,100	65,150
State Funds Subtotal	38,000	10,950	8,100	8,100	65,150
Agency Operating Budget Funds	0	0	0	0	0
Federal Funds	0	0	0	0	0
Local Government Funds	0	0	0	0	0
Private Funds	0	0	0	0	0
Other	13,422	3,300	2,400	2,400	21,522
TOTAL	51,422	14,250	10,500	10,500	86,672

SOURCE OF FUNDS FOR DEBT SERVICE PAYMENTS (For bond-financed projects)	Amount	Percent of Total
General Fund	0	0.0%
User Financing	10,950	100.0%

IMPACT ON STATE OPERATING COSTS	Current FY 1998-99	Projected Costs (Without Inflation)			
		FY 1998-99	FY 2000-01	FY 2002-03	FY 2004-05
Compensation -- Program and Building Operation	0	0	0	0	0
Other Program Related Expenses	0	0	439	875	1,166
Building Operating Expenses	0	0	0	0	0
State-Owned Lease Expenses	0	0	0	0	0
Nonstate-Owned Lease Expenses	0	0	0	0	0
Other Expenses	0	0	723	723	723
Expenditure Subtotal	0	0	1,162	1,598	1,889
Revenue Offsets	0	0	0	0	0
TOTAL	0	0	1,162	1,598	1,889
Change from Current FY 1998-99		0	1,162	1,598	1,889
Change in F.T.E. Personnel		0.0	0.0	0.0	0.0

STATUTORY AND OTHER REQUIREMENTS	
Project applicants should be aware that the following requirements will apply to their projects after adoption of the bonding bill.	
No	MS 16B.335 (1a): Construction/Major Remodeling Review (Legislature)
Yes	MS 16B.335 (1b): Project Exempt From This Review (Legislature)
No	MS 16B.335 (2): Other Projects (Legislative Notification)
No	MS 16B.335 (3): Predesign Requirement (Administration Dept)
No	MS 16B.335 (4): Energy Conservation Requirements (Agency)
No	MS 16B.335 (5): Information Technology Review (Office of Technology)
No	MS 16A.695: Use Agreement Required (Finance Dept)
No	MS 16A.695: Program Funding Review Required (Agency)
No	Matching Funds Required (as per agency request)

PREVIOUS STATE CAPITAL APPROPRIATIONS FOR THIS PROJECT (Legal Citations)	Amount
Laws of Minnesota (year), Chapter, Section, Subdivision	
1996, Chapter 643, Section 23	4,000
1994, Chapter 643, Section 20	4,000
1993, Chapter 323, Section 5	30,000

Department of Finance Analysis:

In order to qualify for a loan, a local government or school district project must produce enough energy savings over a 10-year period to pay for the cost of the investment. 100% of the general fund portion of the loan, plus interest and bond sales expense, is repaid over a 10-year period. There has never been a default under this loan program.

This is an ongoing program that was included in the agency's 6-year plan. The Governor's 1996 Capital Budget included planning estimates of \$2 million in F.Y. 1999 and \$2 million in F.Y. 2000 for this program. The current F.Y. 1997-98 program is funded by a \$4 million bonding appropriation. However, all of the funds were exhausted within the first year, so the program was suspended in May, 1997.

School districts are allowed to secure these loans without a levy referendum. The Department of Children, Families and Learning (CFL) estimates that about 50% of the school districts that receive these loans are eligible for some level of additional state aid through the debt service equalization aid program. Based on analysis prepared by CFL and the Department of Public Service (DPS), the increased debt service equalization aid related to this \$10.9 million capital budget request is \$439 thousand in the next biennium (\$155 thousand in F.Y. 2000 and \$284 thousand in F.Y. 2001).

Governor's Recommendation:

The Governor recommends a partial appropriation of \$8 million in G. O. bonding. This program provides 100% user financed loans to public schools districts and local governments to implement energy efficiency projects. Also included are budget planning estimates of \$8 million in 2000 and 2002.

STATEWIDE STRATEGIC SCORE		
Criteria	Values	Points
Critical Life Safety Emergency - Existing Hazards	0/700	0
Critical Legal Liability - Existing Liability	0/700	0
Prior Binding Commitment	0/700	0
Strategic Linkage - Agency Six Year Plan	0/40/80/120	120
Safety/Code Concerns	0/35/70/105	0
Customer Service/Statewide Significance	0/35/70/105	105
Agency Priority	0/25/50/75/100	100
User and Non-State Financing	0-100	100
State Asset Management	0/20/40/60	0
State Operating Savings or Operating Efficiencies	0/20/40/60	0
Contained in State Six-Year Planning Estimates	0/25/50	50
TOTAL	700 Maximum	475

