



January 15, 2021

Senator Thomas Bakk
Senate Capital Investment Committee
328 State Capitol
St. Paul, MN 55155

Senator Sandra L. Pappas
Senate Capital Investment Committee
2205 Minnesota Senate Bldg.
St. Paul, MN 55155

Senator Julie A. Rosen
Senate Finance Committee
2113 Minnesota Senate Bldg.
St. Paul, MN 55155

Senator John Marty
Senate Finance Committee
2301 Minnesota Senate Bldg.
St. Paul, MN 55155

Representative Fue Lee
House Capital Investment Division
485 State Office Building
St. Paul, MN 55155

Representative Dean Urdahl
House Capital Investment Division
279 State Office Building
St. Paul, MN 55155

Representative Rena Moran
House Ways and Means Committee
449 State Office Building
St. Paul, MN 55155

Representative Pat Garofalo
House Ways and Means Committee
295 State Office Building
St. Paul, MN 55155

Dear Members of the Minnesota Legislature:

As required by Minn. Stat., Sec. 16A.501(b), I am pleased to present our annual report on state agency use of general obligation bond proceeds to pay for internal staff costs directly attributable to bond funded capital programs or projects.

Please contact me if you have any questions about this report, or you may contact Jennifer Hassemer, Assistant Commissioner for Debt Management at MMB, whose contact information is given at the end of the report.

Sincerely,

A handwritten signature in black ink that reads 'Jim Schowalter'.

Jim Schowalter
Commissioner

Enclosures

cc: Legislative Reference Library



**Agencies' Use of Capital Appropriations
for Staff Costs Attributable to
Capital Programs or Projects**

Report to the Legislature

January 15, 2021

*As required by
Minn. Stat., Sec. 16A.501(b)*

ESTIMATED COSTS OF PREPARING THIS REPORT

The cost information reported below is the estimated cost of preparing this report document. Special funding was not appropriated for the costs of preparing this report.

In accordance with Minn. Stat., Sec. 3.197, the estimated cost incurred by Minnesota Management and Budget in preparing this report is less than \$1,000.

BACKGROUND

On October 20, 2009, MMB issued its “Policy Regarding Use of General Obligation Bond Proceeds to Fund Staff Costs.” This policy became effective for bonding appropriations authorized in the 2010 legislative session and for earlier bonding appropriations that contained specific statutory authority to use G.O. bond proceeds to pay costs of staff directly involved in delivering a capital project or program.

MMB’s goal in implementing the policy was to establish uniform procedures for agencies to charge capitalizable staff costs to bonding appropriations and to establish MMB oversight of the process. The policy requires each agency desiring to charge staff costs to bonding appropriations to submit a plan to MMB for its approval. The plan must indicate how the agency intends to track staff costs charged to each bonding appropriation, which tracking must be by employee, by project or program and by hour spent. Each agency must report staff costs charged to bonding appropriations to its Executive Budget Officer and to the Capital Bonding Coordinator on a quarterly basis and certify that such time is properly capitalizable as a cost of the project or program in accordance with applicable accounting principles.

The following bonding bills all specifically authorized agencies to use capital appropriations to pay staff costs directly attributable to the capital program or project in accordance with accounting policies adopted by the Commissioner of MMB:

- Laws 2010, Chapter 189;
- Laws 2011, First Special Session, Chapter 12;
- Laws 2012, Chapter 293;
- Laws 2012, First Special Session, Chapter 1;
- Laws 2013, Chapter 117;
- Laws 2013, Chapter 136;
- Laws 2014, Chapter 294;
- Laws 2015, First Special Session, Chapter 5;
- Laws 2017, First Special Session, Chapter 3;
- Laws 2017, First Special Session, Chapter 8;
- Laws 2018, Chapter 214;
- Laws 2019, Chapter 2; and
- Laws 2020, Fifth Special Session, Chapter 3.

The 2010 bonding bill (Laws 2010, ch. 189) imposed a reporting requirement for MMB as discussed below.

THE REPORTING REQUIREMENT

Section 28 of the 2010 bonding bill (codified as Minn. Stat., Sec. 16A.501(b)) requires MMB to report to the Legislature by January 15 of each year as to the amount and percentage of each agency's capital appropriation that is used to pay for the costs of staff directly attributable to capital programs or projects funded with state general obligation bond proceeds. The report must also address agency compliance with policies of the Commissioner of MMB as to use of general obligation bond proceeds to pay staff costs and any changes to the Commissioner's policies.

AGENCY REPORTING AND COMPLIANCE

The following 13 agencies have submitted plans to MMB since 2010 to charge staff costs to one or more bonding appropriations and such plans were approved by MMB: Administration, Board of Water and Soil Resources, Department of Natural Resources, Minnesota Historical Society, Metropolitan Council, Pollution Control Agency, Department of Transportation, University of Minnesota, Minnesota State Colleges and Universities, the Minnesota Zoo, Department of Human Services, Department of Education and the Department of Employment and Economic Development.

For the current reporting period, the following seven agencies have submitted one or more quarterly reports of staff costs charged to bonding appropriations in compliance with MMB's policy: Administration, Department of Natural Resources, Minnesota Historical Society, Department of Transportation, University of Minnesota, Minnesota State Colleges and Universities, and Board of Water and Soil Resources. The data that appears on the spreadsheet attached as **Exhibit A** to this report includes amounts spent on staff costs for the current reporting period.

Several agencies that have received capital appropriations since 2010 have indicated that they do not intend to charge staff costs to bonding appropriations, including: Military Affairs, Amateur Sports and Public Facilities Authority. Further, the Department of Administration administers the capital appropriations for construction projects for state-owned assets for several other agencies and thus those agencies do not charge any of their internal staff costs to bonding appropriations, including: Department of Corrections, Department of Public Safety, Minnesota State Academies, Perpich Center for Arts Education, and Veterans Affairs.

With respect to MMB's assessment of the degree of agency compliance with the Commissioner of MMB's policy regarding staff costs, we believe that state agencies are attentive to and seek to comply with the policy's requirements.

Minn. Stat., Sec. 16A.501(b) requires MMB to discuss any changes to its policies regarding the charging of staff costs to bonding appropriations. MMB has not changed the policy adopted

on October 20, 2009 and discussed above. However, MMB did attach an addendum to the policy in 2014 that provides additional clarification to agencies on what is a capitalizable staff cost.

RELATED POLICY

[MMB Policy Regarding Use of General Obligation Bond Proceeds to Fund Staff Costs](https://mn.gov/mmb/debt-management/capital-projects/staff-costs/), October 20, 2009 (<https://mn.gov/mmb/debt-management/capital-projects/staff-costs/>)

Agency Contact:

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ANNUAL REPORT TO LEGISLATURE (M.S. §16A.501(b)) - January 15, 2021
AMOUNT OF CAPITAL APPROPRIATIONS USED TO PAY AGENCY STAFF COSTS

Agency	Legal Citation (yr-ch-art-sec-subd)	Fiscal Year	Appropriation Name	Amount of Original Appropriation	Amount Previously Spent for Staff Costs	Amount Spent for Staff Costs in:				Total Spent in this Reporting Period	Cumulative Total Spent	% of Approp.
						2Q FY20 (ended 12/31/2019)	3Q FY20 (ended 3/31/2020)	4Q FY20 (ended 6/30/20)	1Q FY21 (ended 9/30/20)			
Administration												
	13 136 00 003 002	2013	CAPITOL ACCESSIBILITY/MONUMENTS	3,023,191	6,252.13	1,686.28	2,530.28	4,459.35	5,526.98	14,202.89	20,455.02	1%
	13 136 00 003 002	2013	ADMIN - CAPITOL RESTORATION	99,000,000	7,092.62	-	-	-	-	-	7,092.62	0%
	14 294 01 005 002	2014	MSA - ASSET PRESERVATION	700,000	9,663.14	-	-	-	-	-	9,663.14	1%
	14 294 01 006 000	2014	PERPICH CTR - ASSET PRESERV	2,000,000	23,772.70	-	-	-	-	-	23,772.70	1%
	14 294 01 012 002	2014	ADMIN - CAPITOL RESTORATION	126,300,000	-	-	-	-	-	-	-	0%
	14 294 01 018 005	2014	DHS - ASSET PRESERVATION	3,000,000	17,630.09	169.55	-	-	-	169.55	17,799.64	1%
	171 008 01 011 002	2017	CENTENNIAL PKG RAMP	10,878,000	14,985.63	1,013.47	1,501.44	1,508.44	1,620.97	5,644.32	20,629.95	0%
	171 008 01 011 003	2017	CAPITOL ASSET PRES & REPLACE	5,000,000	47,163.50	4,365.42	3,266.81	1,558.23	953.94	10,144.40	57,307.90	1%
	171 008 01 011 005	2017	CAPITOL COMPLEX MONUMENTS/MEMO	\$350,000	7,636.11	442.49	-	-	-	442.49	8,078.60	2%
	171 008 01 005 002	2017	MSA- ASSET PRESERVATION	2,000,000	25,802.55	6,667.68	3,476.28	2,476.11	4,421.93	17,042.00	42,844.55	2%
	171 008 01 012	2017	MN.IT STATE DATA CENTER REPURP	1,432,000	-	-	-	-	-	-	-	0%
	171 008 01 017 002	2017	DHS-ST PETER SEC HOSP PHASE 2	70,255,000	60,647.11	2,576.46	4,193.87	1,532.09	2,995.05	11,297.47	71,944.58	0%
	171 008 01 017 003	2017	DHS-CHILD/AD BEHAVE HLTH SERV	7,530,000	17,733.59	1,108.18	-	454.19	-	1,562.37	19,295.96	0%
	171 008 01 017 004	2017	DHS-ANOKA METRO REGNL TR CTR	2,250,000	9,967.23	948.83	1,022.35	2,399.39	3,050.08	7,420.65	17,387.88	1%
	171 008 01 018 002	2017	VA-ASSET PRESERVATION	5,000,000	43,533.37	711.62	661.89	738.62	1,654.68	3,766.81	47,300.18	1%
	171 008 01 018 003	2017	VA-MPLS VET HOME TRUSS BRDGE	7,851,000	19,854.63	2,565.36	1,021.43	680.96	-	4,267.75	24,122.38	0%
	171 008 01 019 002	2017	DOC-ASSET PRESERVATION	20,000,000	171,387.52	7,509.50	7,523.85	8,182.89	8,237.06	31,453.30	202,840.82	1%
	171 008 01 019 003	2017	DOC-MN CORR FACIL ST CLOUD	19,000,000	32,741.70	4,088.24	5,854.33	4,713.70	9,260.37	23,916.64	56,658.34	0%
	18 214 01 005	2018	MSA ASSET PRES	2,000,000	-	857.38	2,387.22	1,307.82	1,063.81	5,616.23	5,616.23	0%
	18 214 01 006	2018	PERPICH ASSET PRES	250,000	-	-	454.19	681.28	813.60	1,949.07	1,949.07	1%
	18 214 01 012 002	2018	ADMN CAPRA (ASSET PRES)	5,000,000	2,351.96	1,159.27	1,206.31	303.25	90.67	2,759.50	5,111.46	0%
	18 214 01 012 003	2018	CAP CPMPLX SECURITY UP	10,000,000	10,110.41	2,589.80	3,070.32	4,926.89	5,404.60	15,991.61	26,102.02	0%
	18 214 01 018 002	2018	DHS ASSET PRESERVATION	10,000,000	1,388.39	3,487.53	5,285.44	10,769.25	8,433.03	27,975.25	29,363.64	0%
	18 214 01 018 003	2018	DHS ST PETER CTR DIETARY	2,200,000	8,512.26	3,126.30	2,418.78	2,266.87	1,137.75	8,949.70	17,461.96	1%
	18 214 01 018 004	2018	DHS ANOKA CTR DIETARY	6,550,000	608.06	1,006.99	1,551.72	662.99	939.12	4,160.82	4,768.88	0%
	18 214 01 019 002	2018	DVA ASSET PRESERVATION	9,000,000	11,979.36	3,359.17	2,880.14	2,913.02	2,413.58	11,565.91	23,545.27	0%
	18 214 01 019 003	2018	DVA VETS HOME BEMIDJI	12,400,000	22,760.94	3,311.97	3,017.13	1,874.36	901.70	9,105.16	31,866.10	0%
	18 214 01 019 003	2018	DVA VETS HOME MONTEVIDEO	9,400,000	32,008.14	6,802.89	6,367.13	3,236.62	1,882.61	18,289.25	50,297.39	1%
	18 214 01 019 003	2108	DVA VETS HOME PRESTON	10,200,000	14,264.95	2,169.68	1,117.03	-	-	3,286.71	17,551.66	0%
	18 214 01 020 002	2108	DOC ASSET PRESERVATION	20,000,000	32,870.29	12,536.98	17,869.28	17,672.15	20,557.29	68,635.70	101,505.99	1%
	18 214 01 020 003	2018	DOC MCF ST CLOUD	16,000,000	14,566.37	6,476.71	6,104.95	4,963.58	4,506.98	22,052.22	36,618.59	0%
	18 214 01 020 004	2018	DOC MCF MOOSE LAKE	1,950,000	1,563.04	115.57	308.02	734.80	1,786.21	2,944.60	4,507.64	0%
MN Historical Society												
(1)	171 008 01 023 002	2017	HISTORIC SITES ASSET PRESERV	2,500,000	20,806.05	1,170.44	392.36	24.07	-	1,586.87	22,392.92	1%
	171 008 01 023 003	2017	HISTORIC FORT SNELLING	4,000,000	52,464.58	21,901.64	18,932.61	19,890.87	-	60,725.12	113,189.70	3%
	18 214 01 024 003	2018	HISTORIC FORT SNELLING VISITOR CENTER	15,000,000	-	-	-	-	17,432.41	17,432.41	17,432.41	0%
	18 214 01 024 002	2018	HISTORIC SITES ASSET PRESERV	8,000,000	38,089.46	13,464.18	24,136.44	25,789.97	25,284.39	88,674.98	126,764.44	2%
Transportation												
(2)	08 152 02 003 002	2008	CH152 STATE ROAD CONSTRUCTION	1,717,694,000	10,106,404.45	73,887.63	71,338.95	39,670.57	11,621.47	196,518.62	10,302,923.07	1%
(3)	151 005 01 010 008	2015	TRUNK HIGHWAY PROJECTS	140,000,000	1,729,768.66	(568.03)	-	-	Project complete	(568.03)	1,729,200.63	1%
	18 214 01 016 023	2018	STONE ARCH BRIDGE PROJECT	1,000,000	-	-	-	-	-	-	-	0%
Natural Resources												
	171 008 01 006 004a1	2017	EWR DAM SAFETY	4,400,000	29,963.51	5,714.69	2,977.24	-	3,137.53	11,829.46	41,792.97	1%
(3)	171 008 01 006 006a	2017	PAT GLACIAL LAKES TRAIL	2,590,000	18,480.22	1,929.69	(4,195.69)	435.00	63.40	(1,767.60)	16,712.62	1%
(1)(3)	171 008 01 006 006b	2017	PAT HEARTLAND TRAIL	3,300,000	12,736.50	2,680.31	(4,088.32)	2,952.23	3,024.62	4,568.84	17,305.34	1%
	171 008 01 006 006c	2017	PAT CAYUNA STATE REC	3,600,000	-	544.73	2,557.97	2,210.24	3,848.10	9,161.04	9,161.04	0%
(3)	171 008 01 006 006d	2017	PAT CAMP RIP VET ST TRAIL	1,600,000	6,792.59	1,429.47	(1,818.72)	963.27	952.27	1,526.29	8,318.88	1%
(3)	171 008 01 006 006e	2017	LAKE VERM-SOUDAN ST PARK	3,500,000	58,407.69	(16,033.37)	-	-	-	(16,033.37)	42,374.32	1%
(3)	171 008 01 006 006f	2017	PAT MILL TOWN ST TRAIL	328,000	1,697.75	466.22	(231.63)	378.15	603.19	1,215.93	2,913.68	1%
(3)	171 008 01 006 006g	2017	PAT GITCHI GAMI ST TRAIL	3,130,000	12,736.50	2,680.31	(4,674.43)	2,687.94	1,894.92	2,588.74	15,325.24	0%
	18 214 03 013	2018	FOR St. FPR REFORESTATION 18BND	3,000,000	-	-	-	17,761.66	3,430.04	21,191.70	21,191.70	1%
(3)	18 214 01 007 09	2018	PAT GLENDOUGH SP 18BND	750,000	8,315.47	(2,899.03)	869.93	-	-	(2,029.10)	6,286.37	1%
	18 214 01 007 06	2018	PAT BLUFFLANDS ST TRL 18BND	1,500,000	-	-	201.95	31.06	-	233.01	233.01	0%
	18 214 01 007 15	2018	PAT CHESTER WOODS TRL 18BND	2,500,000	-	-	-	-	156.00	156.00	156.00	0%
	18 214 01 007 10	2018	PAT LAKE VERM SOUDAN PK 18BND	4,000,000	-	-	-	-	-	-	-	0%
	18 214 01 007 11	2018	PAT MILL TOWNS ST TRL 18BND	500,000	-	-	219.14	-	-	219.14	219.14	0%

ANNUAL REPORT TO LEGISLATURE (M.S. §16A.501(b)) - January 15, 2021
AMOUNT OF CAPITAL APPROPRIATIONS USED TO PAY AGENCY STAFF COSTS

	18 214 01 007 12	2018	PAT SHOOTING STAR ST TRL 18BND	250,000	-	-	-	-	-	-	-	0%
	18 214 01 007 15	2018	PAT GRAND MARIAS GRNT 18BND	2,000,000	-	273.74	-	233.00	179.51	686.25	686.25	0%
(3)	18 214 01 007 05	2018	PAT ST PARK ACCESSIBILITY 18BND	500,000	5,543.64	(1,933.20)	2,166.00	1,649.15	-	1,881.95	7,425.59	1%
	18 214 01 007 02	2018	OSD NR ASSET PRESERVAT L18BND	26,581,000	-	-	-	-	-	-	-	0%
MN State Colleges and Universities												
	171 008 01 003 002	2017	MNSCU HEAPR (ASSET PRESERV)	25,000,000	100,346.26	2,896.39	27.75	3,381.58	2,043.88	8,349.60	108,695.86	0%
	171 008 01 003 003	2017	NHED HIBBING CC	11,223,000	9,216.97	-	-	-	-	-	9,216.97	0%
	171 008 01 003 006	2017	SCC STEM & HLTH RENOV	9,600,000	29,014.01	1,132.62	1,132.09	117.62	1,499.66	3,881.99	32,896.00	0%
	171 008 01 003 007	2017	ST CLOUD STATE STDT HLTH&ACAD	18,572,000	8,475.53	88.22	-	-	-	88.22	8,563.75	0%
	171 008 01 003 008	2017	WINONA STATE EDU VLG RENOV	25,306,000	16,775.80	132.32	1,058.58	-	-	1,190.90	17,966.70	0%
	18 214 01 003 002	2018	MN ST HEAPR (ASSET PRES)	45,000,000	61,354.80	14,969.52	8,674.48	13,171.02	10,688.72	47,503.74	108,858.54	0%
	18 214 01 003 003	2018	ANOKA RAMSEY CC NURSING/BUSINESS	569,000	7,332.67	-	-	2,058.35	852.75	2,911.10	10,243.77	2%
	18 214 01 003 005	2018	CENTURY APPLD TECH CTR	6,362,000	12,843.29	2,646.45	4,469.56	1,881.92	2,499.43	11,497.36	24,340.65	0%
	18 214 01 003 010	2018	NORMANDEALE CC	12,636,000	13,908.57	1,823.11	1,190.90	1,970.14	808.64	5,792.79	19,701.36	0%
	18 214 01 003 012	2018	RCHESER MEMORIAL & PLAZA	22,853,000	11,048.27	1,734.90	985.07	970.37	-	3,690.34	14,738.61	0%
	18 214 01 003 008	2018	MNSU-18-CLINICAL SCI PH 2 RENO	4,951,500	2,867.02	-	-	-	-	-	2,867.02	0%
	18 214 01 003 008	2018	MNSU-18-CLN SCI PH 2 WCKING REROOF	1,401,500	1,220.31	-	-	-	-	-	1,220.31	0%
	18 214 01 003 011	2018	RVERLND CC TRANSP TRDE & INDSTR ED	9,522,000	18,994.87	4,160.81	1,161.50	4,362.71	2,572.94	12,257.96	31,252.83	0%
	18 214 01 003 011	2018	RVCC-AL 18 AHU S-16 REPLACEMENT	600,000	88.22	-	-	-	-	-	88.22	0%
University of Minnesota												
	171 294 00 002 002	2017	HEAPR (ASSET PRESERVATION)	20,600,000	429,151.46	11,556.85	3,646.78	11,841.93	15,021.24	42,066.80	471,218.26	2%
	18 214 01 002 002	2018	HEAPR (ASSET PRESERVATION)	45,000,000	237,875.22	55,019.26	31,471.94	34,470.09	36,089.85	157,051.14	394,926.36	1%
Board of Soil and Water Resources												
	14 294 01 010 002	2014	RIM 2014 SESSION BONDING	6,000,000	479,145.74	10,838.43	11,575.19	10,845.52	-	33,259.14	512,404.88	9%
	171 008 008 002	2017	RIM CONSERVATION EASEMENTS	10,000,000	447,196.13	81,250.57	74,761.64	69,751.65	25,437.67	251,201.53	698,397.66	7%
	171 008 008 003	2017	LOCAL GOVT ROAD REPLACEMENT	5,000,000	613,606.34	150,856.41	139,779.32	33,937.15	-	324,572.88	938,179.22	19%
	18 214 00 00	2018	LOCAL GOVT ROAD REPLACEMENT	6,700,000	-	-	-	-	97,802.91	97,802.91	97,802.91	1%
	19 002 00 000	2019	RIM CONSERVATION EASEMENTS	10,000,000	-	-	-	-	6,783.83	6,783.83	6,783.83	0%

- (1) "Amount Previously Spent" differs from the amount last reported on the 2020 Staff Costs Report based on agency adjustments.
- (2) Staff Costs reported in connection with this appropriation were for the following projects: St. Croix Crossing, Winona Bridge, and Red Wing. Detailed reports are on file both at MMB and MnDOT.
- (3) Negative values represent expenditure corrections in which staff costs were moved to another funding source.