

Chapter: 8

Session: 2017 First Special Session

Topic: Omnibus capital investment

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Date: June 8, 2017

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Overview

This is the omnibus capital investment act.

Article 1 contains appropriations of state general obligation bond proceeds and general fund money for specific projects and statutory programs for capital investments. See the spreadsheet prepared by Andrew Lee, House Fiscal Analyst, for amounts and sources of appropriations.
<http://www.house.leg.state.mn.us/Fiscal/Home/TrackingSheets>

Article 1 is effective May 31, 2017.

Article 2 includes state appropriation bonding authority for the Lewis and Clark Regional Water System, changes to various statutory programs, and modifications to prior capital investment laws. It also includes an exemption to the state building code for the House and Senate chambers, adds siding production facilities to a tax incentive program, and allows for the lease or sale of property at the National Sports Center in Blaine to Spring Lake Park school district.

Article 2 is effective May 31, 2017, exception for section 3.

Article 1: Appropriations

- 1 Capital improvement appropriations.** Provides that the money:
- is appropriated from state general obligation bond proceeds unless otherwise stated;
 - must be spent on purposes allowed by the state constitution;
 - may be used for state agency staff costs that are directly attributable to the capital program or project, subject to Minnesota Management and Budget policy;

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- is available until the project is completed or abandoned subject to the statute governing cancellation of capital funding; and
- for asset preservation should not be used for work that can be done in a reasonable time using existing energy improvement financing programs.

2 University of Minnesota. State funding is for approximately two-thirds of a project's total cost, except for Higher Education Asset Preservation and Replacement (HEAPR).

Appropriates money for:

- HEAPR,
- chemical sciences and advanced materials science building at the Duluth campus,
- health sciences education facility on the Minneapolis campus, and
- plant growth research facility on the St. Paul campus.

3 Minnesota State Colleges and Universities (MnSCU). MnSCU is responsible for paying debt service on one-third of the amount of bonds sold to finance projects, except for HEAPR. Money not needed to complete a project may be used for HEAPR on the same campus.

Appropriates money for:

- HEAPR,
- Hibbing Community College, space reconfiguration,
- Minnesota State Community and Technical College, Fergus Falls, new Center for Student and Workforce Success,
- Minnesota State Community and Technical College, Wadena, library and student services center project,
- Northland Community and Technical College, East Grand Forks, science and radiological lab space,
- South Central College, North Mankato, renovation of lab, classroom, office spaces,
- St. Cloud State University, Eastman Hall renovation, and
- Winona State University, Education Village, phase 2.

4 Education. Appropriates money for the library construction grants program, construction of the Olmsted County Dyslexia Institute, and for cost overruns of the Myles Reif Center for the Performing Arts project in Grand Rapids (originally funded in 2014).

5 Minnesota State Academies. Appropriates money for asset preservation and for predesign of a security corridor on the Academy for the Deaf campus.

6 Natural Resources. Provides that the money appropriated is subject to the natural resources capital improvement program unless the appropriation is for a specific project or statutory program. Allows the unspent portion of an appropriation for a project that is complete to be used for asset preservation. Appropriates money for:

- Natural resources asset preservation, which may include replacement of buildings,

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- Flood hazard mitigation, including specific projects of the Cedar River Watershed District, city of Browns Valley, and the city of Ortonville,
- Dam renovation, repair, and removal, including the listed dams,
- Reforestation and stand improvement of state forest lands,
- State trail, recreation area, and park acquisition and development for listed trails and Lake Vermilion-Soudan Underground Mine State Park,
- City of Champlin for the Mill Pond improvements,
- Lake County for the Prospectors ATV trail system,
- Morrison County for Soo Line Trail bridge, and
- St. Paul for shade tree reforestation.

- 7 **Pollution Control Agency.** Appropriates money for the St. Louis River cleanup, which will be matched by federal funding, the WDE closed landfill site in Anoka County, and for a grant to Polk County for a grant to complete a regional integrated solid waste management system.
- 8 **Board of Water and Soil Resources.** Appropriates money for the Reinvest in Minnesota (RIM) Reserve program and local government roads wetland replacement program.
- 9 **Agriculture.** Appropriates money for the Agricultural Utilization Research Institute (AURI) for facilities in Marshall and Waseca.
- 10 **Minnesota Zoological Garden.** Appropriates money for asset preservation and specifically allows that to include replacement of buildings that are in poor condition, outdated, and no longer support the work of the zoo, and to construct trails and roads.
- 11 **Administration.** Appropriates money for repairs to the Centennial parking ramp, including removing the green space on the top deck; the capital asset preservation and replacement account (CAPRA), for Pioneer Public TV equipment in Granite Falls; and for repairs of capitol complex monuments and memorials.
- 12 **MN.IT.** Appropriates money for repurposing space.
- 13 **Military Affairs.** Appropriates money for asset preservation statewide.
- 14 **Public Safety.** Appropriates money for the Camp Ripley joint railroad and pipeline response emergency training facility.
- 15 **Transportation.** Appropriates money for:
- local bridge replacement and rehabilitation, including the 10th Avenue Bridge in Minneapolis and the Malone Island bridge in Isle (see article 2 for changes to the grant program),
 - local road improvement grants, with 11 set-asides,
 - rail grade separation on crude oil rail corridors, including Moorhead, Hanson Boulevard in Anoka County, and Sturgeon Lake Road in Red Wing,
 - replacement of railroad warning devices,

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- rail service improvement grants,
- Minnesota Valley Regional Railroad Authority track replacement,
- the Hugo short line railway,
- the port development assistance grant program,
- the International Falls-Koochiching County Airport,
- the Grand Rapids pedestrian bridge,
- safe routes to school grant program, and
- Eden Prairie rail grade crossings.

- 16 Metropolitan Council.** Appropriates money for regional parks and trails, metropolitan cities inflow and infiltration grants, Metro Orange Line BRT, Mall of America transit station improvement, Como Zoo, White Bear Lake multiuse trails, and West St. Paul River to River Regional greenway.
- 17 Human Services.** Appropriates money for phase 2 of the Minnesota Security Hospital in St. Peter, a new child and adolescent behavioral health services facility in Willmar, Anoka Metro Regional Treatment Center renovation, design of the Hennepin County-regional medical examiner's facility, the Perspectives Family Center, Dorothy Day Opportunity Center, Carver County regional residential crisis stabilization clinic, the Family Partnership, and the People's Center.
- 18 Veterans Affairs.** Appropriates money for asset preservation at veterans homes statewide, the Minneapolis Veterans Home truss bridge, and a veterans memorial in Rice County.
- 19 Corrections.** Appropriates money for asset preservation statewide, the Minnesota Correctional Facility St. Cloud intake unit and loading dock, and the Northeast Regional Corrections Center.
- 20 Employment and Economic Development.** Appropriates money for:
- South Minneapolis Workforce Center asset preservation (DEED facility),
 - transportation economic development grants,
 - Greater Minnesota Business Development Public Infrastructure grants (BDPI),
 - Innovation Business Development Public Infrastructure grants,
 - Chisago County law enforcement and emergency operations center,
 - Duluth steam plant—from the renewable development account in the special revenue fund in fiscal year 2018 if money remains available in the account after the appropriations in Laws 2017, chapter 94, article 10, section 3, amending Minn. Stat. § 116C.779, subd. 1, have been made,
 - Eagle Bend High School demolition and site preparation,
 - Sauk Centre, Eagle's Healing Nest,
 - Hennepin County, Hennepin Center for the Arts,

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- Hermantown Arrowhead Regional Health and Wellness Center,
- LaSalle community center and fire hall,
- Litchfield phase 2 power generation improvements,
- Minneapolis, Pioneers and Soldiers Cemetery fence restoration,
- Minneapolis, Norway House,
- Minneapolis, American Indian Center,
- Mountain Iron Enterprise Drive North road improvement,
- Red Wing River Town Renaissance,
- St. James public infrastructure,
- St. Paul, Science Museum building preservation,
- St. Paul, Minnesota Museum of American Art,
- Virginia's Miner's Memorial Building, and
- Waseca's Tink Larson field construction.

- 21 Public Facilities Authority.** Appropriates money for:
- state match for federal clean water and drinking water revolving fund,
 - water infrastructure funding program (see article 2 for program restructuring),
 - point source implementation grants (states that Detroit Lakes is eligible to receive a grant for up to 80 percent of eligible project costs for phosphorus removal project),
 - Big Lake Area Sanitary District,
 - Clearbrook,
 - Clear Lake and Clearwater wastewater treatment facility,
 - Dennison sewage treatment system improvements,
 - East Grand Forks wastewater interconnection infrastructure,
 - Lilydale highway 13 storm water conveyance system reimbursement,
 - Koochiching County-Voyageurs National Park Clean Water project, and
 - Oronoco wastewater collection and treatment facilities.
- 22 Minnesota Housing Finance Agency.** Appropriates money for public housing rehabilitation. See article 2 for housing infrastructure bonding authority.
- 23 Minnesota Historical Society.** Appropriates money for asset preservation and design of facilities at Fort Snelling.
- 24 Bond sale expenses.**
- 25 Bond sale authorization.**

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- 26 Cancellations; bond sale authorization reductions.**
- 27 Bond sale schedule.** Sets the limit on the amount that may be transferred from the general fund to the state bond fund to pay debt service during the biennium and directs MMB to time selling the bonds so as to not exceed that amount.
- 28 Effective date.** Effective May 31, 2017, unless otherwise specified in the article.

Article 2: Miscellaneous

- 1 Capitol Preservation Commission.** Provides for the commission to meet once a year instead of quarterly.
- 2 Lewis and Clark appropriation bonds.** Permits use of the approximately \$7.2 million remaining authorization (out of the \$19 million) for phase 2 to be used for phase 3. Authorizes \$3.5 million to complete phase 3.
- 3 Accommodation for hard-of-hearing in state-funded capital projects.** Prohibits a state capital grant or contract for construction or renovation of a public gathering space unless the project is equipped with audio-induction loops, if there will be a permanent audio-amplification system, and the project meets standards on background noise and reverberation. Defines “public gathering space” as a space constructed or renovated and intended for use by 15 or more people and in which audible communications are integral to use of the space.
- Exempts a project from the requirement if it is not feasible, in conflict with other law or other project requirements, or the costs outweigh the benefits. Requires the commissioner to consult with the Commission on Deaf, Deafblind, and Hard-of-Hearing Minnesotans before making a determination. Requires reports on exemptions made.
- Applies** to projects funded in a law enacted after January 1, 2017. Does not apply to a project that has completed schematic design as of May 31, 2017, but encourages compliance before then.
- 4 Standards (natural resources asset preservation).** Adds removing life safety hazards such as building code violations or structural defects to the allowable uses of money appropriated to DNR for asset preservation.
- 5 Upper bluff; lease term.** Amends the law governing the DNR’s authority to lease property at the Upper Bluff of Fort Snelling State Park. Requires a lease of state bond financed property that is more than 50 years to be treated as a sale of the property and proceeds of the sale must be used to pay, redeem, or defease state GO bonds issued for the improvements to the buildings. After that, lease payments may be used to make capital improvements by the tenants, as currently provided in this section of statute.
- 6 to 7 Qualified business expansions in Greater Minnesota (DEED).** In 2013, the legislature created a sales tax incentive program for certain businesses that expand in Greater Minnesota. Minn. Stat. § 116J.8738. Sections 6 and 7 of the omnibus capital investment act add as an eligible business a siding production facility that uses Minnesota forest resources under Minn. Stat. § 41A.20. The regular session omnibus agriculture finance bill eliminated the direct appropriation for this grant program and moved it into the AGRI fund. This allows

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the department to direct the \$3 million annual appropriation toward other agricultural grant programs with the understanding that if an eligible siding project is built in the next biennium it would be funded from AGRI. See Laws 2017, ch. 88, art. 1, §§ 5, 6; and art. 2, § 59.

A Canadian company has been looking at starting a large siding production facility in northern Minnesota. Originally it was going to be a new facility but was later changed to retrofitting an existing facility. At the time the 2017 session ended, the project was on hold but there are still plans to eventually open this manufacturing facility.

The vetoed 2016 omnibus tax bill (H.F. 848) included a sales tax exemption on construction of the facility. The state cost for this sales tax exemption in the 2016 bill was \$9.2 million over three years (with \$4.6 million of the refund occurring in the second year).

In the 2017 first special session, in addition to the omnibus capital investment act including this project as eligible under the DEED program, the omnibus tax bill modified the sales tax exemption provision in the DEED incentive program to increase maximum refunds to a business to \$5 million per year, up to a total of \$40 million over ten years. Laws 2017, 1st spec. sess. ch. 1, art. 3, § 3, effective July 1, 2017. This means that if the siding facility gets built, the company can get the full sales tax refund on their construction/remodeling costs.

8 to 12 Local Bridge Replacement and Rehabilitation grant program. Sections 8 to 10 make technical, clarifying changes to the program. These same provisions were enacted in the omnibus transportation finance bill, Laws 2017, 1st spec. sess. ch. 3, art. 3, §§ 96 to 98, amending Minn. Stat. § 174.50, subs. 5, 6b, and 6c.

Section 11 creates a grant program for replacement or rehabilitation of major local bridges in which the grant award is \$7 million or more. Money not needed in any year for major bridge project grants may be used for lower-cost projects. See Laws 2017, 1st spec. sess. ch. 3, art. 3, § 100, adding Minn. Stat. § 174.50, subd. 6d.

Section 12 creates a grant program for projects with a total project cost under \$7 million. Permits a grant for a project that costs more if all other bridge projects on the commissioner's priority list with a total project costs under \$7 million have been fully funded. See Laws 2017, 1st spec. sess. ch. 3, art. 3, § 100, amending Minn. Stat. § 174.50, subd. 7.

13 Crude oil and hazardous materials rail safety account. Establishes a hazardous materials rail safety program and two accounts—one in the bond proceeds fund and one in the special revenue fund. Identifies uses of funds under the program (limited to capital costs of improvements). Provides that counties, cities, and towns are eligible recipients of grants. Sets grant making criteria.

14 Exemptions (State Building Code). Permits the House and Senate to install exit and occupancy limit signs in their respective chambers that are minimal in size and historic in appearance and exempt from approval of the commissioner of labor and industry.

15 Water infrastructure funding program. Changes the WIF program to cover drinking water as well as wastewater infrastructure. Increases the maximum grants amounts from \$4 million to \$5 million per project, and from \$15,000 to \$20,000 per existing connection. Establishes a funding formula for drinking water projects that is based on the affordability threshold used

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for the federal drinking water fund. Strikes obsolete language. The appropriation for the new WIF structure in article 1 breaks out the amounts for drinking water and wastewater.

- 16 Point source implementation grants.** Increases the maximum grants from \$3 million to \$7 million and increases the share the grants cover from 50 percent to 80 percent of project costs.
- 17 Other uses of fund (drinking water revolving fund) (PFA).** Technical. Provides a cross-reference to section with criteria (new WIF language in Minn. Stat. § 446A.072 – section 15 above) and strikes criteria in this section.
- 18 Bonding authority (PFA).** Increases the PFA’s authority to issue bonds from \$1.5 billion to \$2 billion in outstanding debt.
- 19 Additional authorization (MHFA).** Allows the Minnesota Housing Finance Agency to issue up to \$15 million more in housing infrastructure bonds originally authorized in 2014 that can be paid for within the existing annual general fund appropriation for debt service.
- 20 Additional authorization (MHFA).** Allows the Minnesota Housing Finance Agency to issue up to \$5 million more in housing infrastructure bonds originally authorized in 2015 that can be paid for within the existing annual general fund appropriation for debt service.
- 21 Additional authorization (MHFA).** Allows the Minnesota Housing Finance Agency to issue up to \$35 million more in housing infrastructure bonds.
- 22 Additional appropriation (MHFA).** Appropriates from the general fund up to \$2,800,000 per year to the MHFA to pay debt service on the \$35 million authorization beginning in fiscal year 2019.
- 23 Systemwide redevelopment, reuse, or demolition (DHS).** Reauthorizes the remaining amount from a 2006 appropriation for regional treatment centers, estimated to be \$1,991,456. This is related to the Fergus Falls regional treatment center, now owned by the city, and efforts at its redevelopment.
- 24 Dam repair, reconstruction, and removal.** Exempts the 2012 appropriation for repair of the Lanesboro dam from any match requirement.
- 25 Phillips Community Pool.** Extends availability of the 2012 appropriation for the Minneapolis Park and Recreation Board renovation of the Phillips Community Pool to December 31, 2022.
- 26 Central Minnesota Regional Parks.** Allows use of the 2014 grant to the city of Sartell to acquire land along the Sauk River, to also be used to acquire land on the other side of the river and develop recreation facilities. Extends availability of the money to June 30, 2020.
- 27 Grant County Trail grant.** Modifies the 2014 appropriation to allow the money to be used for predesign, design, or improvements, and is not required to be used for all of those purposes.
- 28 Inver Grove Heights – Heritage Village Park.** Splits the appropriation from 2014 between the city and the county, to match ownership of property involved.
- 29 West St. Paul – River to River Greenway.** Modifies the project description to allow for a grade-separated crossing (not specifically a bridge) and updates the name of the project.

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- 30 Minneapolis – Brian Coyle Community Center.** Modifies the 2014 appropriation to allow its use by the Minneapolis Park and Recreation Board for capital costs of any recreation project or facility in the Cedar Riverside neighborhood.
- 31 Local road improvement fund grants.** Amends the 2015 appropriation for the Willmar Wye project to allow the money to be used for local roads in conjunction with the project instead of specifically a rail grade separation.
- 32 Richfield – 77th Street underpass.** Modifies the 2015 appropriation for the project to allow the money to be used first for right-of-way acquisition and then if money remains, to be used for construction.
- 33 National Sports Center; lease.** Permits the Minnesota Amateur Sports Commission (MASC) to lease, sell, or license to the Spring Lake Park school district state bond-financed property at the National Sports Center in Blaine. The lease may be for up to 99 years. Permits the tenant to make capital improvements in lieu of rent. Appropriates rent payments, sale proceeds, or license fees to the MASC.
- 34 Revisor’s instruction.** Technical, related to the repeal of section 123A.446.
- 35 Repealer.** Repeals an obsolete codified bond sale authorization for the cooperative secondary facilities grant program. The section was last used to authorize a bond sale for the program in 1989 (and all bonds authorized have been issued). Repeals two subdivisions in the PFA statutes that are also stricken in the body of the bill.
- 36 Effective date.** Effective May 31, 2017, unless otherwise specified in the article.