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# Governor Tim Pawlenty's 2010 Capital Budget Recommendations

*Money Matters 10.02  
January 2010*

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

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**Fiscal Analysis Department  
Minnesota House of Representatives**

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# Capital Budget Overview

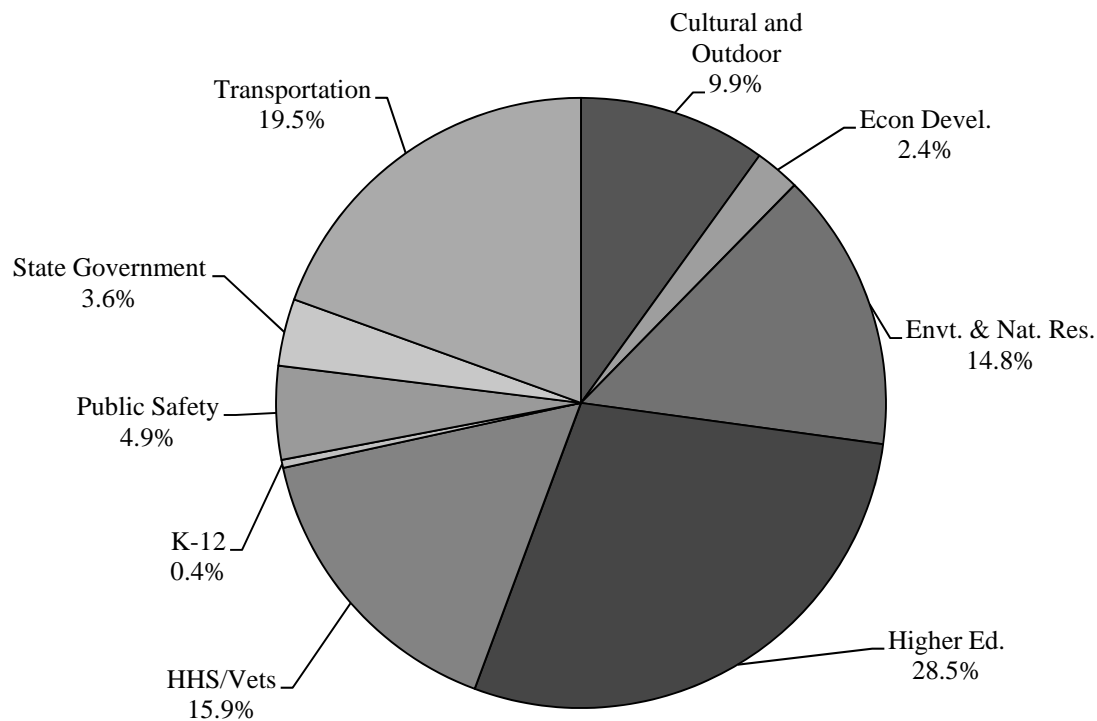
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On January 15, 2010, Governor Pawlenty introduced his capital budget recommendations for the 2010 legislative session. State agencies submitted almost \$2 billion in project requests for consideration, and political subdivisions requested over \$800 million in funds; a few of these projects were requested by both state agencies and political subdivisions. Based on the requests, the Governor recommended a total of \$751.8 million in funding (including cancellations). All of the Governor's recommendations stemmed from state agency requests. The table below highlights the agency's requests and the Governor's recommendations.

<b>Finance Area</b>	<b>Agency Requests</b>	<b>Governor's Recs</b>
Cultural and Outdoor Resources	\$126,170	\$74,800
Economic and Work Force Development	\$50,000	\$40,000
Environment and Natural Resources	\$340,670	\$113,700
Higher Education	\$590,145	\$214,645
Housing and Public Health	\$42,400	\$5,400
Human Services	\$107,700	\$97,854
K-12 Education	\$74,367	\$3,244
Public Safety	\$91,420	\$37,684
State Government	\$195,887	\$27,391
Transportation	\$297,670	\$158,730
Veterans Affairs	\$35,990	\$16,390
Bond Sale Expenses	\$0	\$765
Cancellations	\$0	(\$38,764)
<b>Total</b>	<b>\$1,952,419</b>	<b>\$751,839</b>

Of the \$751.8 million noted above, approximately \$713.8 million would be paid for with general purpose general obligation (GO) bonds with debt service coming from the state's general fund. The Governor also included \$29.3 million in general purpose GO bond cancellations for a net GO bond impact of \$684.5 million. Other funding sources included: \$1 million in general fund cash, \$26.5 million in trunk highway bonds, \$22.8 million in trunk highway fund cash, \$5.0 million in non-profit housing bonds, and \$21.5 million in user-financed bonds. The Governor also recommended cancelling \$9.5 million in trunk highway bonds for a net of \$17.0 million in additional trunk highway bonding. The following pie chart depicts the distribution of the funds by spending category (including cancellations)

**Figure I: Governor's Recommendations**



Planning estimates (included in the November 2009 forecast) for the 2010 bonding bill set aside sufficient debt service for \$725.0 million in GO bonding in the upcoming legislative session. Since the Governor recommended authorizing \$684.5 million, there would be a debt service savings under his plan of \$365,000 in FY 2011, \$1.4 million in FY 2012, and \$3.0 million in FY 2013. However, as noted above, the Governor's recommendations also include \$1.0 million in general fund cash, of which, \$400,000 is an annual appropriation in each of the next 20 years. Therefore, the Governor's recommendations would cost an additional \$635,000 in general fund cash in FY 2011 and would save approximately \$3.7 million in the FY 2012-13 biennium.

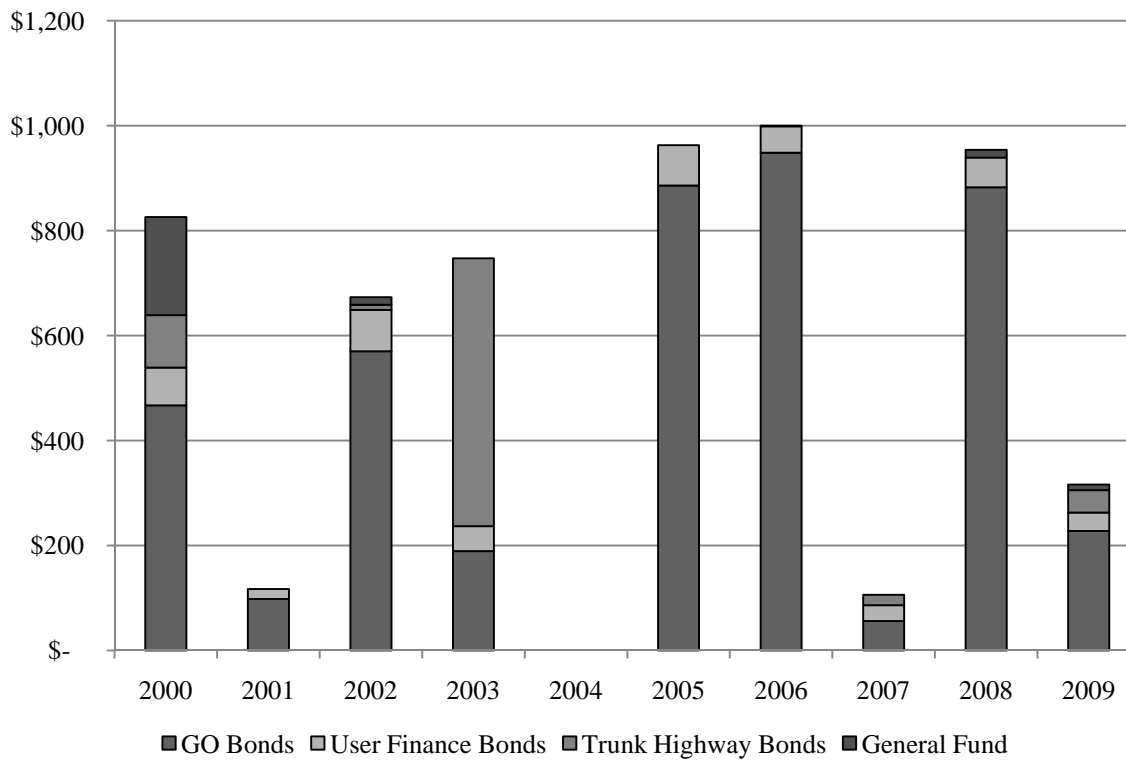
Capital budgets have varied greatly in size and composition over the last decade. Table 2 provides an overview of the composition of the 2006 and 2008 capital budgets, and Figure 2 provides a 10-year history of total bond authorizations by year.

**Table 2: Enacted Capital Budgets**  
(dollars in thousands)

Finance Area	2006	2008
Cultural and Outdoor	9.6%	6.0%
Economic Development	8.5%	12.8%
Environment, Natural Resources, & Ag	16.3%	19.4%
Higher Education	30.7%	32.8%
Health, Human Svcs, Housing, & Vets	9.0%	2.9%
K-12 Education	2.1%	0.6%
Public Safety	6.2%	4.4%
State Government	2.0%	2.5%
Transportation	15.6%	18.6%

Note: In 2008, there was an additional \$1.8 billion in trunk highway bonds authorized. This data was not included because of percent distortions.

**Figure 2: Historical Bond Authorizations**  
(dollars in millions)



Note: In 2008, there was an additional \$1.8 billion in trunk highway bonds authorized. This data was not included because of chart distortions.

## ***History of Debt Management***

During the Quie, Perpich, and Carlson administrations, the Governors worked with the Department of Finance to establish a debt management policy. Several guidelines were adopted to manage debt and limit spending, including:

- Debt Service to Non-Dedicated General Fund Revenues Ratio: 3% Limit
- Debt to Personal Income Ratio: 2.5% Limit
- Debt and Other Financial Commitments to Personal Income Ratio: 5% Limit
- Debt Retirement Plan: 40 percent of the debt shall be retired within 5 years and 70 percent of the debt shall be retired within 10 years

Of these guidelines, the most commonly referred to was the “three percent guideline.” This rule stated that the appropriation for general fund debt service in a biennium shall not exceed three percent of non-dedicated general fund revenues in that biennium. Simply stated, up to three percent of non-dedicated general fund revenues could be used to make payments on money the state borrows, giving the state a self imposed credit limit (i.e. the state’s debt capacity).

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

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

Guidelines 1 and 2 cannot be easily compared to any of the previous guidelines. As an example, the three percent guideline discussed above measured the affordability of general purpose general obligation bonds; the new guidelines do not include an affordability measure. In addition, the new guidelines are point-in-time calculations versus percents that are forecast well into the future. Ultimately, the change in the guidelines redefines the state’s debt capacity.

### **Debt Capacity**

Debt capacity is an estimation of how much the state can borrow based on its current guidelines. Based on the November 2009 forecast, Minnesota has approximately \$7.8 billion in total principal outstanding (both issued and authorized but unissued). Of this amount, \$5.4 billion in principal has been authorized. The November forecast suggests approximately \$1.7 billion in debt capacity is available for any additional tax-supported debt. Guideline 1, discussed above, is the limiting guideline. The debt service payments on these bonds as well as anticipated payments on authorized but unissued bonds are expected to be approximately \$954.5 million for the FY 2010-11 biennium. This constitutes 3.2% of total general fund revenues.

The additional debt capacity noted above represents a significant change from the debt capacity based on the previous guidelines. Under the previous three percent guideline, the state had outpaced its debt capacity. Debt service estimates were projected to be 3.2 percent of non-dedicated general fund revenues. The difference of 0.2 percentage points is significant. If no general purpose GO bonds were authorized during the 2010 and 2011 legislative sessions and all authorized projects that had not started were cancelled (approximately \$624 million), the ratio would be at 3.1% for the 2010-11 biennium. The ratio would then drop below 3% for the 2012-13 biennium.

### ***Bond Ratings and Borrowing Costs***

The changes to the debt management guidelines are not expected to impact the state's credit rating; however, there are questions on how the state's current budget situation will have an impact. During the state's financial crunch of the early eighties, the state's bond rating fell from a "AAA" rating, the highest possible rating, to a "AA" rating. Bond ratings denote the financial strength of the borrower. A highly rated bond is a safer investment but brings a lower rate of return to the investor. Because the lower bond rating signifies a riskier investment, it carries a higher rate of return for the investor. A drop to "AA" rating caused the state to pay a higher rate of interest on its bonds and reduced the amount that the state could afford to borrow.

Even though the first debt management policies were put into place in late 1979, it was not until 1997 that the AAA rating from all three rating agencies, Moody's, Fitch, and Standard and Poor, had been restored. The state had spent millions in higher debt costs over the seventeen year period due to the lower rating, but the debt management policies and a strong Minnesota economy helped the state once again attain the AAA rating.

Although the state currently carries a AAA rating from Fitch and Standard & Poors, Moody's carries a slightly downgraded rating of Aa1. The downgrade was mainly due to Minnesota's deficit problems in 2002-2004 and the sluggishness of the state's economy. Rating agencies look at several factors when assessing credit worthiness, such as maintaining structural balance into the future and budget reserve accounts. If the ratings are downgraded further due to the current fiscal outlook, future interest costs would increase impacting the affordability of current and additional debt.

*For further information on Capital Budget issues contact Koryn Zewers, House Fiscal Analysis Department at 651-296-4178 or [Koryn.Zewers@house.mn](mailto:Koryn.Zewers@house.mn).*

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# Agriculture, Rural Economies & Veterans Affairs

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The Governor's recommendations for capital projects in the area under the jurisdiction of the Agriculture, Rural Economies and Veterans Affairs Finance Division total \$16.39 million. The recommended funding is from general obligation bonds.

<b>Agriculture, Rural Economies and Veterans Affairs Finance</b> <b>Governor's 2010 Capital Investment Recommendations</b> <i>(all dollars in thousands)</i>		
Projects by Agency	Agency Request	Governor's Recs
<b>Department of Veterans Affairs</b>		
Minneapolis Building 17	9,450	9,450
Asset Preservation	6,490	6,490
Luverne Entrance Enclosure	450	450
<b>Total</b>	<b>35,990</b>	<b>16,390</b>

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

The following is a summary by agency of the Governor's recommendations.

## *Department of Veterans Affairs*

- Minneapolis Building 17.** \$9.45 million is for the Minneapolis Veterans Home to renovate and update building 17. Building 17 is a traditional nursing home. The renovation will provide each resident with a single room and private bath. The project qualifies for the 65 percent USDVA reimbursement. Although the agency indicates a reduction in beds would result they have not provided an estimate of the operations funding reduction that would be possible due to the reduction in patient load.
- Asset Preservation.** \$6.49 million for agency-wide asset preservation activities including: replacement of exterior envelope components, roof replacement, tuck-pointing, sanitary sewer repairs, mechanical and electrical updates, and resident bathroom and central shower updating. Funds for asset preservation will cover activities at the Minneapolis, Hastings, Luverne, Silver Bay, and Fergus Falls campuses.
- Luverne Entrance Enclosure.** This request is for \$450,000 to renovate the front entrance to the Luverne Veterans Home.

*For further information on Agriculture & Veterans finance issues contact Jim Reinholdz, House Fiscal Analysis Department at 651.296.4281, Jim.Reinholdz@house.mn.*

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## Cultural & Outdoor Resources

The Governor is recommending \$74.8 million in capital projects for agencies within the jurisdiction of Minnesota Cultural and Outdoor Resources Committee. The recommendations include six projects: one for the Minnesota Historical Society, two for the Zoological Gardens (the Zoo), and three for the Public Facilities Authority.

<b>Cultural and Outdoor Resources</b> <b>Governor's 2010 Capital Investment Recommendations</b> <i>(all dollars in thousands)</i>		
<b>Projects by Agency</b>	<b>Agency Request</b>	<b>Governor's Recs</b>
<b>Historical Society</b>		
Historic Sites Asset Preservation	\$ 6,713	\$ 3,400
<b>Minnesota Zoological Gardens</b>		
Master Plan	\$ 18,000	\$ 15,000
Asset Preservation / Exhibit Renewal	\$ 15,000	\$ 6,000
<b>Public Facilities Authority</b>		
State Matching Funds for USEPA Capitalization Grants	\$ 30,000	\$ 30,000
Wastewater Infrastructure Fund	\$ 30,000	\$ 20,000
Wastewater Infrastructure Fund - Admin	\$ 600	\$ 400
<b>Total</b>	<b>\$ 100,313</b>	<b>\$ 74,800</b>

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

### *All Agencies Requests Total*

The Governor's recommendations are 59.3 cents on the dollar of the \$126.17 million that Cultural and Outdoor Resources' agencies requested. On a project number basis, the Governor recommends full or partial funding for six of the twelve requests the agencies submitted.

<b>Minnesota Cultural and Outdoor Resources 2010 Bonding Requests</b>			
<b>Agency</b>	<b>Request</b>	<b>Gov's Rec.</b>	<b>% Rec.</b>
Amateur Sports Commission	\$13,000,000	\$0	0
Libraries (Dept. of Education)	1,500,000	\$0	0
Historical Society	18,070,000	3,400,000	18.8
Minnesota Zoological Gardens	33,000,000	21,000,000	63.3
Public Facilities Authority	60,600,000	50,400,000	83.2
<b>Total</b>	<b>126,170,000</b>	<b>74,800,000</b>	<b>59.3</b>

***Amateur Sports Commission***

The Amateur Sports Commission requested three capital projects totaling \$13 million. The Governor did not include any of these projects in his recommendations.

<b>Amateur Sports Commission 2010 Bonding Requests</b>			
<b>Project</b>	<b>Request</b>	<b>Gov's Rec.</b>	<b>% Rec.</b>
National Volleyball Center - Rochester	\$5,000,000	\$0	0
NW Regional Sports Center - Moorhead	4,000,000	0	0
SW Regional Sports Center - Marshall	4,000,000	0	0
<b>Total</b>	<b>13,000,000</b>	<b>0</b>	<b>0</b>

***Libraries (Department of Education)***

The Department of Education requested one capital project under the COR committee’s budget jurisdiction. The project, with requested funding at \$1.5 million, would provide accessibility and improvement grants to libraries. The Governor did not include the project in his bonding recommendations.

<b>Department of Education 2010 Bonding Requests</b>			
<b>Project</b>	<b>Request</b>	<b>Gov's Rec.</b>	<b>% Rec.</b>
Library Accessibility and Improvement Grants	\$1,500,000	\$0	0

***Historical Society***

The Minnesota Historical Society (MHS) requested three bonding projects totaling \$18.07 million. The projects are listed in the following table. Also shown are the Governor’s recommendations for the requested projects.

<b>Minnesota Historical Society 2010 Bonding Requests</b>			
<b>Project</b>	<b>Request</b>	<b>Gov's Rec.</b>	<b>% Rec.</b>
Historic Sites Asset Preservation	6,713,000	3,400,000	50.6
Oliver H. Kelly Farm Revitalization	9,857,000	0	0
County & Local Hist. Preservation	1,500,000	0	0
<b>Total</b>	<b>18,070,000</b>	<b>3,400,000</b>	<b>18.8</b>

The Governor’s recommends \$3.4 million in general obligation bonds for the Society's Historic Sites Asset Preservation initiative. The recommendation is 50.6 percent of MHS's \$6.713 million request for this initiative. The initiative supports the preservation and restoration of historic structures, landscapes and building systems in the state's historic sites network, and for monuments located statewide.

The Governor did not recommend any funding for the Historical Society requested projects for the Oliver H. Kelly Farm Revitalization, and County & Local Historic Preservation Grants.

**Minnesota Zoological Board**

The Minnesota Zoological Board requested two bonding projects totaling \$33 million for the Minnesota Zoo.

<b>Zoological Board 2010 Bonding Requests</b>			
<b>Project</b>	<b>Request</b>	<b>Gov's Rec.</b>	<b>% Rec.</b>
Master Plan	\$18,000,000	\$15,000,000	83.3
Asset Preservation/Exhibit Renewal	15,000,000	\$6,000,000	40.0
<b>Total</b>	<b>30,000,000</b>	<b>21,000,000</b>	<b>63.6</b>

The Governor's recommendations include \$21 million in general obligation bonds for the Minnesota Zoological Board's Master Plan, and Asset Preservation and Exhibit Renewal initiatives. Relative to the Master Plan project, the Governor is recommending \$15 million of the Zoo's \$18 million request. The Zoological Board's Asset Preservation and Exhibit Renewal request would be funded at 40 percent of the requested amount, or \$6 million of the \$15 million requested.

**Public Facilities Authority**

The Public Facilities Authority (PFA) requested three bonding projects totaling \$60.6 million. The projects are listed in the following table. Also shown are the Governor's recommendations for the requested projects.

<b>Public Facilities Authority 2010 Bonding Requests</b>			
<b>Project</b>	<b>Request</b>	<b>Gov's Rec.</b>	<b>% Rec.</b>
State Matching Funds for USEPA Capitalization Grants	30,000,000	30,000,000	100
Wastewater Infrastructure Fund	30,000,000	20,000,000	66.7
Wastewater Infrastructure Fund - Admin	600,000	400,000	66.7
<b>Total</b>	<b>60,600,000</b>	<b>50,400,000</b>	<b>83.2</b>

The governor is recommending that the state matching funds for U.S. Environmental Protection Agency (EPA) Capitalization Grants be fully funded at PFA's requested \$30 million. The funding is expected to access \$ 150 million in federal EPA funds for the for the Clean Water Revolving Fund and the Drinking Water Revolving Fund in FY 2010-11.

The Wastewater Infrastructure Fund would receive \$20 million in bond funds under the Governor's recommendation. This is two thirds of PFA's requested \$30 million in funding. Owing to the Governor's Wastewater Infrastructure Fund (WIF) recommendation, PFA's request for WIF administration funds are reduced from the requested amount by one third. This request would be funded with General Fund dollars since there is some question if administrative costs are bondable expenditures.

***Implications***

The fact that the Governor did not include various state agency projects or any local bonding projects in his recommendations will likely mean that many of these projects will be introduced as individual bills in the 2010 session. Also, it is very likely that many projects that were not submitted as part of the formal bonding request process will be introduced as separate bills in the upcoming session.

*For further information on Minnesota Cultural and Outdoor Resources issues contact Ron Soderberg at 296-4162 or [ron.soderberg@house.mn](mailto:ron.soderberg@house.mn); or Helen Roberts at 296-4117 or [helen.roberts@house.mn](mailto:helen.roberts@house.mn)*

# Environment and Natural Resources

The Governor's 2010 capital budget recommendations propose general obligation bond appropriations of \$113.7 million for projects under the jurisdiction of the Environment and Natural Resources Finance Division.

<b>Environment and Natural Resources Finance</b>		
<b>Governor's 2010 Capital Investment Recommendations</b>		
<i>(all dollars in thousands)</i>		
<b>Projects by Agency</b>	<b>Agency Request</b>	<b>Governor's Recs</b>
<b>Department of Natural Resources</b>		
MN Forest for the Future	\$ 8,000	\$ 500
Roads and Bridges	\$ 2,000	\$ 2,000
Community Conservation Assistance	\$ 5,000	\$ 500
Dam Repair / Reconstruction / Removal	\$ 4,000	\$ 4,000
Diseased Shade Tree Removal and Replacement	\$ 2,000	\$ 2,000
Facility Consolidation	\$ 20,000	\$ 2,500
Flood Hazard Mitigation	\$ 20,000	\$ 50,000
Forest Stand Improvement	\$ 2,000	\$ 2,000
Ground Water Monitoring	\$ 2,000	\$ 1,000
Native Prairie Acquisition and Development	\$ 5,500	\$ 500
RIM Critical Habitat Match	\$ 3,000	\$ 2,000
SNA Acquisition and Development	\$ 8,000	\$ 500
State Land Reforestation	\$ 7,000	\$ 3,500
State Park, State Recreation Area, & State Trail Acquisition	\$ 10,000	\$ 6,000
Statewide Asset Preservation	\$ 23,000	\$ 7,500
WMA/AMA Acquisition and Development	\$ 24,500	\$ 4,000
<b>Pollution Control Agency</b>		
Capital Assistance Program	\$ 6,000	\$ 4,000
Closed Landfill Bonding	\$ 16,250	\$ 10,000
<b>Board of Water and Soil Resources</b>		
Local Government Roads Wetland Replacement	\$ 8,420	\$ 4,200
Reinvest in MN (RIM) Program	\$ 50,000	\$ 4,000
<b>Metropolitan Council(parks only)</b>		
Metropolitan Regional Parks	\$ 10,500	\$ 3,000
<b>Total</b>	<b>\$ 237,170</b>	<b>\$ 113,700</b>

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

The following is a summary by agency of the environment and natural resources capital projects recommended by the Governor for funding in the 2010 session.

## ***Department of Natural Resources***

- **Forest for the future.** \$500,000 is to acquire perpetual conservation easements and fee title ownership of forest lands.
- **Roads and bridges.** \$2 million is to repair, replace, and construct bridges and roads within the state forest road system.
- **Community conservation.** \$500,000 is to provide grants to local units of governments to acquire through acquisitions or easement natural habitat lands.
- **Dam repair.** \$4 million is for dam repair, reconstruction and removal projects.
- **Diseased shade tree program.** \$2 million is for grants to local units of government to remove and replace dead shade trees located on public property.
- **Facility consolidation.** \$2.5 million is for consolidation of facilities within the department, with a emphasis on enhancing anchor sites.
- **Flood hazard mitigation grants.** \$50 million is for state cost sharing grants to local units of government to implement measures that reduce or eliminate future flood damages.
- **Forest stand improvement.** \$2 million is to promote forestation on state forest lands.
- **Ground water monitoring.** \$1 million funding for installation of ground water observation wells in order to assess ground water availability for water supply planning. Data from the wells is used to analyze water level trends, evaluate aquifer recharge rates, and to determine ground water/surface water interactions.
- **Native prairie acquisition and development.** \$500,000 is for acquisition and development of native prairie plant parcels.
- **RIM critical habitat match.** \$2 million to be used to match private donations to fund the cost of acquiring and improving fish, wildlife and native plant habitats for the Reinvest in Minnesota program.
- **Scientific and natural areas (SNAs).** \$500,000 is to be used to acquire and develop SNAs statewide. SNAs are sites that preserve rare plant communities, unique geological features and rare or endangered species habitat.
- **State land reforestation.** \$3.5 million is for reforestation of harvested state forest lands.
- **State park and trail acquisition.** \$6 million is to be used for acquisition projects in the state park and trail system.

- **Natural resources asset preservation.** \$7.5 million is to be used for maintenance and repair projects in existing DNR facilities and recreational infrastructure statewide.
- **Wildlife management area (WMA) land acquisition and improvement.** \$4 million is to acquire land and complete improvements to public wildlife management areas. Wildlife management areas are a component of the state's system of lands open to public hunting. The state currently has approximately 900,000 acres of WMAs.

### ***Pollution Control Agency***

- **Closed landfill program.** \$10 million is to design and construct remedial systems at publicly owned mixed municipal solid waste landfills.
- **Capital assistance program.** \$4 million is for solid waste processing facilities program.

### ***Water and Soil Resources Board***

- **RIM Conservation Reserve program.** \$4 million was appropriated for this program. The program purchases conservation easements from willing landowners. The program seeks to improve water quality in lakes, rivers and streams as well as improve ground water quality.
- **Local government road wetland replacement.** \$4.2 million of bonding is to replace wetlands lost to improvements made to public transportation projects.

### ***Metropolitan Council (parks)***

- **Metropolitan Regional Parks.** \$3 million is for the council's capital improvements program. Funds are used to acquire and improve the metro regional parks system. The funds will be distributed by the council to the regional park operating agencies.

*For further information on Environment and Natural Resources finance issues contact Jim Reinholdz, House Fiscal Analysis Department at 651.296.4281, Jim.Reinholdz@house.mn*

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# Health Care & Human Services

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The Department of Human Services received three requests totaling \$97.8 million in the Governor's capital budget.

<b>Health and Human Services Finance</b> <b>Governor's 2010 Capital Investment Recommendations</b> <i>(all dollars in thousands)</i>		
<b>Projects by Agency</b>	<b>Agency Request</b>	<b>Governor's Recs</b>
<b>Human Services</b>		
MN Sex Offender Program, Moose Lake	\$ 96,000	\$ 89,072
System-wide Asset Preservation	\$ 5,000	\$ 3,000
Brainerd Campus Redevelopment/Reuse/Demolish	\$ 5,782	\$ 5,782
<b>Total</b>	<b>\$ 106,782</b>	<b>\$ 97,854</b>

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

## **Moose Lake Sex Offender Facility**

\$89.1 million of the request is to fund Phase II of the Moose Lake sex offender facility. The second phase will add 400 additional beds to the current 400 bed facility to meet the projected increases in sex offender inmate population.

The project was originally submitted by the department for a \$96 million request, but changes to the building's design to increase efficiency and lower construction costs have reduced the cost by \$5.6 million. Another \$1.7 million in cost reduction was achieved by separately bidding each piece of the construction and not relying on one general contractor to manage the entire project.

## **Brainerd Regional Human Services Campus - Redevelopment**

Governor Pawlenty also included \$5.7 million for projects at the Brainerd campus. The campus – a former regional treatment center - was identified years ago as surplus space and was intended to be sold off by 2007. Since the state has yet to find a use or a buyer, the dollars would be used to demolish unusable buildings and do hazardous materials cleanup, as well as bring some usable buildings to a minimum standard with the hopes it will help attract a buyer and mitigate the costs of maintaining them until the property is sold.

## **Asset Preservation**

The final recommendation was \$3 million for Human Services system wide asset preservation projects.

*For further information on Health and Human Services related topics, contact John Walz, House Fiscal Analysis at 651-296-8236 or john.walz@house.mn*

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# Higher Education and Workforce Development

The Governor's 2010 capital budget recommendations propose general obligation bond appropriations of \$254.6 million for projects under the jurisdiction of the Higher Education and Workforce Development Policy and Finance Committee.

<b>Higher Education and Economic Development</b> <b>Governor's 2010 Capital Investment Recommendations</b> <i>(all dollars in thousands)</i>		
<b>Projects by Agency</b>	<b>Agency Request</b>	<b>Governor's Recs</b>
<b>Employment and Economic Development</b>		
Business Development Public Infrastructure Grant Program	\$ 30,000	\$ 25,000
Redevelopment Grant Program	\$ 20,000	\$ 15,000
<b>Minnesota State Colleges and Universities</b>		
HEAPR	\$ 110,000	\$ 50,000
N Hennepin CC - Business /Technology Addition & Renovation	\$ 14,782	\$ 14,782
Systemwide - Classroom Renovations & Demolition	\$ 3,883	\$ 3,883
Lake Superior College - Health Science Center	\$ 12,098	\$ 12,098
NHED Mesabi Range CTC - Eveleth - Shop Space Addition	\$ 5,477	\$ 5,477
St. Cloud TC - Allied Health Center Renovation	\$ 5,421	\$ 5,421
Normandale CC - Academic Partnership Center & Student Svcs	\$ 22,984	\$ 22,984
<b>University of Minnesota</b>		
HEAPR	\$ 100,000	\$ 40,000
Physics and Nanotechnology Building - New Construction	\$ 53,333	\$ 53,333
General Laboratory Renovation	\$ 6,667	\$ 6,667
<b>Total</b>	<b>\$ 384,645</b>	<b>\$ 254,645</b>

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

## *Department of Employment and Economic Development*

The Governor recommends a total of \$40 million in general obligation bonding for two programs:

- **Business Development Public Infrastructure Grant Program.** \$25 million in funds for a redesigned program that would merge the former Greater Minnesota Business Development Public Infrastructure Grant Program (BDPI) and the Biobusiness

Development Public Infrastructure Grant Program (BBPI). The redesigned program would fund infrastructure grants to support all types of business' development statewide with a heavier emphasis on bioscience projects. The agency requested \$30 million for this program.

- **Redevelopment Grant Program.** \$15 million for grants to help local governments redevelop old or abandoned properties statewide. The agency requested \$20 million for this program.

### ***Minnesota State Colleges and Universities (MnSCU)***

The Governor recommends a total of \$114.6 million in general obligation bonding for seven projects or programs. Because one-third user financing applies to six of these projects, MnSCU will pay \$21.5 million of the \$114.6 million in bonds the State will issue for these projects.

- **Higher Education Asset Preservation and Replacement (HEAPR).** \$50 million is for general maintenance of MnSCU facilities within the statutory definition of HEAPR projects which includes items such as code compliance, ADA requirements, hazardous material abatement, access or air quality improvements, and general repair needed to preserve buildings and renovation to support the current programmatic mission of the campuses. HEAPR funds are not subject to user financing.
- **North Hennepin Community College – Business and Technology Addition and Renovation.** \$14.8 million to add 29,000 gross square feet of new space on to and renovate 35,400 gross square feet of existing space in the Center for Business and Technology. MnSCU will pay \$4.9 million of the \$14.8 million cost in user financing.
- **Classroom renovation and Demolition.** \$3.9 million for classroom renovations and demolition projects systemwide. MnSCU will pay \$1.3 million of the \$3.9 million cost in user financing.
- **Lake Superior College – Health Sciences Center.** \$12.1 million to construct a 36,700 gross square foot addition and renovate 4,000 gross square feet of existing space and design an additional renovation of 23,000 square feet of existing space. The new space will add teaching and laboratory space for nursing and allied health programs. MnSCU will pay \$4 million of the \$12.1 million cost in user financing.
- **Mesabi Range Community and Technical College, Eveleth – Shop Space Addition.** \$5.5 million to construct an 11,800 gross square foot addition for the Industrial Mechanical Technology program which is currently in off campus leased space. MnSCU will pay \$1.8 million of the \$5.5 million cost in user financing.
- **St Cloud Technical College – Allied Health Center Renovation.** \$5.4 million to renovate the existing 54,000 gross square foot building into a state of the art medical training facility. MnSCU will pay \$1.8 million of the \$5.4 million cost in user financing.

- **Normandale Community College – Academic Partnership Center & Student Services.** \$23 million to construct new space for classrooms, faculty offices, seminar space, and a computer lab to be used by various State Universities to provide services to four year students on the Normandale campus. The project will also design construction of new space and renovation of existing space for various student services. MnSCU will pay \$7.7 million of the \$23 million cost in user financing.

#### **Not Recommended**

Many projects that were on the MnSCU priority list were passed over by the Governor for funding including 18 projects that were ranked as higher priorities by MnSCU than the Normandale project.

### ***University of Minnesota***

The Governor recommends a total of \$100 million in general obligation bonding for three projects or programs. Because one-third user financing applies to two of these projects the University will issue its own debt to finance one-third, or \$30 million, of the \$130 million total recommended project costs.

- **Higher Education Asset Preservation and Replacement (HEAPR).** \$40 million is for general maintenance of University facilities within the statutory definition of HEAPR projects which includes items such as code compliance, ADA requirements, hazardous material abatement, access or air quality improvements, and general repair needed to preserve buildings and renovation to support the current programmatic mission of the campuses. HEAPR funds are not subject to user financing.
- **Physics and Nanotechnology Building.** \$53.333 million is to design and construct a new 150,000 gross square foot building to house the research branch of the physics program, the Center for Nanostructure Applications, clean room space, faculty/student meeting space, and faculty, graduate student and researcher's office space. State funding will be matched by \$26.667 million in University issued bonds for a project total of \$80 million.
- **General Laboratory Renovation.** \$6.667 million is for laboratory renovations and upgrades systemwide. State funding will be matched by \$3.333 million in University issued bonds for a project total of \$10 million.

#### **Not Recommended**

Several projects that are higher on the University's priority list, including major renovation of Folwell Hall, were passed over for funding in the Governor's recommendations.

*For further information on Higher Education and Economic Development finance issues contact Doug Berg, House Fiscal Analysis Department at 651-296-5346 or [doug.berg@house.mn](mailto:doug.berg@house.mn)*

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# Housing

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For the 2010 Legislative session, Governor Pawlenty has recommended authorizing the Minnesota Housing Finance Agency (MHFA) to issue \$5 million in non-profit housing bonds and appropriating \$400,000 for each of the next 20 years from the general fund to pay the debt service on those bonds. The agency requested authorization to issue a total of \$30 million in bonds and \$2.4 million per year in general fund cash for each of the next 20 years to pay the debt service those bonds. The agency also requested an additional \$10 million in general purpose general obligation (GO) bonds.

<b>Housing Policy and Finance and Public Health Governor's 2010 Capital Investment Recommendations</b> <i>(all dollars in thousands)</i>		
Projects by Agency	Agency Request	Governor's Recs
<b>Housing Finance Agency</b>		
Non-Profit Foreclosed Rental Property Acquisition/Rehab & Supportive Housing	\$ 27,500	\$ 5,000
Debt Service - Foreclosed Rental Property and Supportive Housing Bonds	\$ 2,200	\$ 400
<b>Total</b>	<b>\$ 29,700</b>	<b>\$ 5,400</b>

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

## ***Non-Profit Foreclosed Rental Property***

The Governor recommends appropriating \$400,000 each year for debt service to cover \$5 million of non-profit housing bonds issued by MHFA to assist in the foreclosure recovery efforts. The agency requested \$27.5 million to acquire and rehabilitate foreclosed properties into 100 units of rental housing and to build or rehabilitate 200 units of permanent supportive housing. This request is part of the agency's response to the foreclosure crisis and would be applied to areas in the state most impacted by the crisis. The debt service needed for \$27.5 million in non-profit housing bonds is \$2.2 million each year for 20 years. At the funding level recommended by the Governor, the agency will be able to do some of the aforementioned acquisitions and rehabilitation, but at a much more modest level.

## ***Community Land Trust***

The Governor did not recommend an authorization for the MHFA to issue any community land trust non-profit housing bonds or the necessary debt service to support those bonds. The agency requested \$2.5 million for this activity in order to purchase land along the mass transit corridors, which would preserve affordable housing in those areas. If the agency could spend this amount on purchasing land, it could bring approximately 50 homes into community land trusts. The debt

service amount would be \$200,000 annually for 20 years for \$2.5 million in bonding. The absence of a community land trust may result in the loss of affordable housing along the transit corridor due to the typical increase in demand for housing near transit stops, causing the price of housing to increase as well.

***Public Housing Rehabilitation***

The Governor did not recommend any capital funds for the agency's public housing rehabilitation request. The agency requested \$10 million in GO bonds to rehabilitate 3,000 units of public housing statewide. In some cases, delaying repairs has left some units inhabitable. In other cases, public housing authorities have sold off some units in order to raise revenue and reduce operating costs so that the remaining units can get the maintenance and repairs needed.

*For additional information on Housing finance issues, contact Emily Adriaens at 651-296-7171 or [Emily.Adriaens@house.mn](mailto:Emily.Adriaens@house.mn).*

# K-12 Education

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For the 2010 Legislative session, Governor Pawlenty has recommended three capital projects, totaling \$3.2 million of general obligation bonds, out of a total \$74.4 million requested by state agencies. The projects include:

<b>K-12 Education Finance</b>		
<b>Governor's 2010 Capital Investment Recommendations</b>		
<i>(all dollars in thousands)</i>		
<b>Projects by Agency</b>	<b>Agency Request</b>	<b>Governor's Recs</b>
<b>Minnesota State Academies for the Deaf and Blind</b>		
Asset Preservation	\$ 4,260	\$ 2,000
<b>Perpich Center for Arts Education</b>		
Alpha Building Demolition	\$ 755	\$ 755
Delta Dormitory Window Project	\$ 489	\$ 489
<b>Total</b>	<b>\$ 5,504</b>	<b>\$ 3,244</b>

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

## ***Minnesota State Academies for the Deaf and Blind***

\$2 million, compared to \$4.26 million requested by the agency, for asset preservation. Projects on the Academies' list for asset preservation generally fall into the code compliance and deferred maintenance categories. The Academies indicate that their highest priorities for asset preservation funds are roof, window and door replacement, and installation of security systems.

## ***Perpich Center for Arts Education***

\$755,000, as requested by the Center, to demolish the Alpha building, a storage building originally constructed as a dormitory on the Center campus. The building has extensive mold and asbestos issues, which will be remediated during the demolition process. These issues make the building unusable in its current state.

\$489,000, as requested by the Center, to install new windows in the Delta Dormitory. The building has been under renovation since 2006, including mold removal and HVAC installation, and the replacement of the windows will complete the dormitory renovation. The current single pane windows allow outside air and moisture into the building, creating energy management and efficiency issues.

*For more information on K-12 Education Finance, contact Greg Crowe at 651-296-7165 or [greg.crowe@house.mn](mailto:greg.crowe@house.mn)*

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# Public Safety

The Governor's recommendations four capital projects in the Public Safety area totaling \$37.7 million from general obligation bonds.

<b>Public Safety Finance</b>		
<b>Governor's 2010 Capital Investment Recommendations</b>		
<i>(all dollars in thousands)</i>		
<b>Projects by Agency</b>	<b>Agency Request</b>	<b>Governor's Recs</b>
<b>Department of Corrections</b>		
Asset Preservation - Department Wide	\$ 40,000	\$ 8,000
ARMER Radio System Migration	\$ 7,405	\$ 7,405
Exterior Intrusion Detection System Upgrade	\$ 3,529	\$ 3,529
Security System Upgrade at MCF-OPH	\$ 6,500	\$ 6,500
<b>Department of Public Safety</b>		
Camp Ripley - Emergency Management Training Center	\$ 10,000	\$ 10,000
Emergency Operations Center	\$ 2,250	\$ 2,250
<b>Total</b>	<b>\$ 69,684</b>	<b>\$ 37,684</b>

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

## *Department of Corrections*

The Governor recommends \$25.434 million in GO bond financing for the following four projects:

- **Asset Preservation:** \$8 million for asset preservation (the Department's original request was for \$40 million). This request would fund repairs and replacement needs throughout the corrections system. These needs include items such as tuck pointing, code compliance issues, roof replacement, utility system repairs and replacements, preservation of building exteriors and interiors, and abatement of hazardous materials. The Department received \$4 million in 2009 and \$10 million in 2008 for asset preservation.
- **ARMER Radio System Migration:** \$7.405 million to fund the design and implementation of the Allied Radio Matrix for Emergency Response (ARMER) system. This bonding request will allow the Department to upgrade its obsolete radio

communications. It will also bring the Department into uniformity with the state's direction for interoperable public safety communications and assure compliance with the Federal Communication Commission rules. This proposal has on-going operating costs under the category of other program related expenses of \$468,000 for each biennium.

- **Oak Park Heights – Perimeter Intrusion System:** \$3.529 million is to replace the intrusion detection system on the top of the walls at Oak Park Heights and to upgrade lighting and cameras on the exterior of the perimeter fences. The request is to replace the system with a sensed coil of razor ribbon.
- **Oak Park Heights – Security System Upgrade:** \$6.5 million for replacement of the security system at Oak Park Heights. This will fund a new integrated electronic control and monitoring system throughout the facility.

### ***Department of Public Safety***

The Governor recommends \$12.25 million in GO bond financing for the following two projects:

- **Emergency Management Training Facility:** \$10 million to complete (phase 2) of the comprehensive emergency management training facility at Camp Ripley. Phase 1 was in the 2008 bonding bill with an appropriation of \$5 million. Phase 2 will complete the initiative. This proposal has annual on-going operating costs of \$570,000.
- **Emergency Operations Center:** \$2.25 million is for the pre-design and design of a State Emergency Operations Center and Homeland Security and Emergency Management office. This would be co-located with the Minnesota National Guard Joint Force Headquarters in Arden Hills.

*For additional information on Public Safety finance issues contact, Gary Karger at 651-296-4181 or gary.karger@house.mn.*

# State Government

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Governor Pawlenty recommends eight capital projects, totaling \$27.4 million, out of a total of \$196 million requested by state agencies.

<b>State Government</b> <b>Governor's 2010 Capital Investment Recommendations</b> <i>(all dollars in thousands)</i>		
Projects by Agency	Agency Request	Governor's Recs
<b>Administration</b>		
Asset Preservation	\$ 16,700	\$ 8,700
Statewide CAPRA	\$ 5,000	\$ 2,000
Agency Relocation	\$ 250	\$ 200
<b>Military Affairs</b>		
Asset Preservation	\$ 8,000	\$ 8,000
Facility Life/Safety	\$ 1,000	\$ 1,000
ADA Alterations	\$ 900	\$ 900
Cedar Street Armory	\$ 5,530	\$ 5,530
Troop Support Facility	\$ 1,061	\$ 1,061
<b>Total</b>	<b>\$ 38,441</b>	<b>\$ 27,391</b>

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

## *Administration*

The Governor recommends \$10.9 million for three projects, with \$10.7 million from general obligation bonds and \$200,000 from the General Fund.

- Asset Preservation:** \$8.7 million for asset preservations needs specific to the Capitol and other state buildings managed by the department. The Capitol building alone has an identified backlog of deferred maintenance of more than \$100 million. This is the first asset preservation request from the department since 2006, because the department has a separate source of funding for asset preservation, the Facilities Repair and Replacement Account. However, the projected balance in this account is inadequate to address known project needs, in part due to one-time transfers from the account to the General Fund made as part of budget-balancing efforts over the past eight years.
- Statewide CAPRA (Capital Asset Preservation and Replacement Account):** \$2 million in GO bond financing for the Capital Asset Preservation and Replacement Account (CAPRA). CAPRA is a statewide fund for emergency repairs and unanticipated

hazardous material abatement. The fund is administered by the Department of Administration on behalf of other state agencies. Since the program was started in 1990, a total of \$83.55 million in both GO bonds and General Fund dollars has been appropriated for CAPRA projects.

**Repair & Maintenance Funding for State Buildings**

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

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

In addition to the repair and maintenance projects, the recommended projects for Administration include:

- **Agency Relocation:** The Governor recommends \$200,000 from the General Fund for unanticipated agency relocation costs.

- **Cancellations:** The Governor's recommendations also include \$1.9 million in cancellations of uncommitted funds from completed projects funded in previous bonding cycles.

### ***Military Affairs***

The Governor recommends \$16.5 million in GO bond financing for five projects at National Guard facilities, the full amount requested by the agency. The department manages over 4.6 million square feet of facilities at over 1500 buildings across the state, including Camp Ripley and the 62 armories, officially called Training and Community Centers. The projects include:

- **Asset preservation:** \$8 million for deferred maintenance projects at armories and training facilities. The request is based on detailed facilities audits, which document a maintenance backlog of over \$28 million. The average age of the state's armory facilities is over 48 years.
- **Facility Life / Safety Repairs:** \$1 million for required life/safety repairs at National Guard training facilities across the state. Examples of required repairs include the replacement of fire and smoke alarm systems, emergency egress lighting, and ventilation system improvements. Life/safety alterations are generally matched 100 percent by federal dollars.
- **Americans with Disabilities Act (ADA) Compliance:** \$900,000 for ADA alterations to existing National Guard armory and training centers throughout the state. Most project costs are shared 50/50 with the federal government.
- **Cedar Street Armory:** \$5.5 million for a major renovation of the Cedar Street Armory in St. Paul. Needed repairs include replacing all windows, upgrading the existing mechanical and electrical systems, and asbestos abatement. The total project cost (including inflation) is \$9.4 million. Federal matching funds of \$3.5 million will supplement the state dollars.
- **Troop Support Facility:** \$1.1 million to complete the renovation of the Troop Support Activity facility at Camp Ripley. The improvements will create a facility that can be used for large meetings, ceremonies and conferences.

### ***Not Recommended:***

The Governor did not recommend funding for one of the largest state agency requests: \$131 million for the Office of Enterprise Technology's proposal for a consolidated data center. The project planned for development of a new Tier III data center which would consolidate most state executive branch data centers into a highly secure primary facility with at least two separate disaster recovery sites.

Other requests not recommended include two related to the Central Corridor light rail project:

\$22.7 million requested from Administration for Capitol Campus Corridor light rail integration, primarily to provide funding for pedestrian tunnels between light rail stations and state buildings; \$1.25 million from the Capitol Area Architecture & Planning Board to mitigate the “industrial appearance” of elements in the Met Council’s baseline design.

*For additional information on State Government finance issues, contact Helen Roberts at 651-296-4117 or [Helen.roberts@house.mn](mailto:Helen.roberts@house.mn).*

# Transportation

The Governor's recommendations for transportation projects make up approximately 20 percent of his overall 2010 capital budget. Of the fifteen agency requests for 2010, the Governor chose to fund ten of those requests. Agency transportation requests totaled \$298 million, and the Governor provided funding in his budget for \$159 million of those projects. The Governor also recommended canceling approximately \$10 million in trunk highway bonds from a 2008 appropriation for the exterior of the Department of Transportation (MnDOT) headquarters building; the project is complete. Below is a summary of the Governor's recommendations and related agency requests.

<b>Transportation Finance and Policy Division</b> <b>Governor's 2010 Capital Investment Recommendations</b> <i>(all dollars in thousands)</i>		
<b>Projects by Agency</b>	<b>Agency Request</b>	<b>Governor's Recs</b>
<b>Department of Transportation</b>		
Local Bridges	\$ 75,000	\$ 75,000
Local Road Improvement Fund Grants	\$ 30,000	\$ 20,000
Railroad Grade Warning Device Replacement	\$ 10,800	\$ 2,500
Rochester Maintenance Facility	\$ 26,430	\$ 26,430
Maple Grove Truck Station	\$ 15,800	\$ 15,800
Little Falls Truck Station	\$ 3,300	\$ 3,300
Maplewood Bridge Crew Building	\$ 3,000	\$ 3,000
Design Fees - Willmar HQ, Plymouth TS	\$ 700	\$ 700
Southern Rail Corridor	\$ 2,000	\$ 2,000
<b>Metropolitan Council</b>		
Transitway Corridor Program	\$ 50,000	\$ 10,000
<b>Total</b>	<b>\$ 217,030</b>	<b>\$ 158,730</b>

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

Funding sources for the projects include general obligation bonds, trunk highway bonds, and trunk highway fund cash. Agency requests over \$20 million not recommended for funding by the Governor include approximately \$29 million for greater Minnesota transit facilities and \$25 million for a bus garage (MnDOT and Metropolitan Council, respectively). Additional information on the projects recommended for funding is included below.

## ***Department of Transportation***

- **Local Bridge Replacement Program:** \$75.0 million in GO bonds to replace or rehabilitate approximately 82 bridges owned by local units of government. This will be supplemented with \$150 million in additional federal, state, and local funds.
- **Local Road Improvement Grant Funds:** \$20.0 million in GO bonds for local units of government for rural road safety projects and projects on routes of regional significance. In 2008, Chapter 152, \$10 million was provided for rural road safety and 67 projects were completed.
- **Railroad Grade Warning Device Replacement:** \$2.5 million in GO bonds for replacing aging warning devices where railroads cross highways. Advancements in technology have made it difficult for MnDOT to repair the aging crossing signals causing safety hazards for the public when a signal is malfunctioning.
- **Rochester Maintenance Facility:** \$26.4 million in trunk highway bonds for site preparation and construction of a new maintenance facility at the district headquarters in Rochester. This is a two phase project and additional funds will be requested in 2012 for remodeling the current headquarters.
- **Maple Grove Truck Station:** \$15.8 million in trunk highway fund cash for a new truck station and mechanics facility in Maple Grove. The new facility would replace an existing facility that is currently located in a commercial setting and would allow MnDOT to combine functions currently occurring at multiple locations.
- **Little Falls Truck Station:** \$3.3 million in trunk highway fund cash for a new truck station and vehicle maintenance facility in Little Falls. This includes both design fees and construction costs for the project.
- **Maplewood Bridge Crew Building:** \$3.0 million in trunk highway fund cash for a new bridge crew building in Maplewood, which would be located on an existing site adjacent to the metro district's fleet management section. This recommendation includes both design fees and construction costs for the project.
- **Design Fees for the Willmar Headquarters and Plymouth Truck Station:** \$700,000 in trunk highway fund cash. Of this, \$380,000 is for the Plymouth Truck Station for schematic design, design development, and investigative portions for designing the truck station. The truck station will either be an addition to or in place of the current station. The remaining \$320,000 is for initial design fees for a new vehicle storage facility at the Willmar Headquarters.
- **Southern Rail Corridor:** \$2 million in GO bonds for preliminary engineering, design, and environmental analysis related to the proposed southern rail corridor identified in the Minnesota Comprehensive Statewide Freight and Passenger Rail Plan. The Governor's recommendation requires a \$2 million local match for an alternatives analysis; state bond

funds cannot be used for an alternatives analysis. This was also a local request from the Olmsted County Regional Rail Authority. The Regional Rail Authority requested \$8 million in GO bonds for 2010 and is planning to request a total of \$90 million over the next six years. MnDOT did not indicate the same level of funding in its request; it did not indicate additional funding for the 2012 or 2014 bonding cycles.

### ***Metropolitan Council***

Transitway Corridor Program: \$10.0 million in GO bonds to build and improve the transitways identified in the 2030 Transportation Policy Plan, a plan developed by the Metropolitan Council. This program requires additional language during the 2010 legislative session to establish the program. Under the proposed program, funds could be used for environmental analysis, preliminary engineering and final design, acquisition and betterment of public land and buildings and construction, improvement, and maintenance of transitways. Some corridors and projects that could be impacted include: Southwest, Rush Line, Cedar Avenue, I-94 East, Bottineau Boulevard, Central Avenue/TH 65, I-35W South, I-35W North, I-394, Red Rock, Robert Street.

### ***Implications and Considerations***

For a number of the transportation capital projects discussed above, MnDOT and the Governor recommended using trunk highway fund cash rather than trunk highway bonds to fund the projects. By the end of the FY 2010-11 biennium, the trunk highway fund is expected to have a balance of \$123 million. By the end of the FY 2012-13 biennium, this balance is expected to grow to \$205 million based on the projected revenues and expenditures; the fund has the capacity to support using cash for the recommended projects.

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

Within the transportation section of the recommendations, another aspect to consider is related to the transitway corridor program recommendation. As additional capital projects move forward, additional operating funds will be necessary. The Metropolitan Council has adopted a policy requiring that anticipated operating funds must be identified prior to proceeding with capital projects. However, over the past few years, with fluctuations in Motor Vehicle Sales Tax and General Fund revenues, it has been more difficult to project the availability of operating funds.

*For further information on Transportation finance issues contact Koryn Zewers, House Fiscal Analysis Department at 651-296-4178 or [Koryn.Zewers@house.mn](mailto:Koryn.Zewers@house.mn).*

<b>2010 Capital Budget</b> <i>(all \$ in thousands)</i>				
<b>AGENCY</b> <b>Project Title</b>	<b>Fund</b>	<b>Gov's Recs. 1/15/10</b>	<b>2010 Agency Requests</b>	<b>2010 Priority Rank</b>
<b>1 UNIVERSITY OF MINNESOTA</b>				
2 HEAPR	GO	\$ 40,000	\$ 100,000	1
3 Folwell Hall	GO	\$ -	\$ 23,000	2
4 American Indian Learning Resource Center	GO	\$ -	\$ 6,667	3
5 Physics and Nanotechnology	GO	\$ 53,333	\$ 53,333	4
6 Itasca Biological Station	GO	\$ -	\$ 3,667	5
7 General Laboratory Renovation	GO	\$ 6,667	\$ 6,667	6
8				
9				
10	<b>Total - GO</b>	<b>\$ 100,000</b>	<b>\$ 193,334</b>	
11				
<b>12 MN STATE COLLEGES &amp; UNIVERSITIES</b>				
13 HEAPR - MnSCU	GO	\$ 50,000	\$ 110,000	1
14 North Hennepin CC - Center for Business and Technology	GO/UF	\$ 14,782	\$ 14,782	2
15 Systemwide Classroom Renovation	GO/UF	\$ 3,883	\$ 3,883	3
16 Lake Superior Community and Technical College - Health Science Center	GO/UF	\$ 12,098	\$ 12,098	4
17 Metro State University - Technology Enhanced Classrooms and Academic Offices	GO/UF	\$ -	\$ 5,860	5
18 NHED; Mesabi Range CTC - Shop Space	GO/UF	\$ 5,477	\$ 5,477	6
19 Dakota County Technical College - Property Acquisition	GO/UF	\$ -	\$ 3,500	7
20 Alexandria Technical College - Renovation of Former Law Enforcement Space	GO/UF	\$ -	\$ 4,363	8
21 MN State CTC, Moorhead - Library and Classroom Addition	GO/UF	\$ -	\$ 5,448	9
22 Anoka Ramsey CC, Coon Rapids - Fine Arts Building Renovation	GO/UF	\$ -	\$ 5,357	10
23 Hennepin Technical College - Library, Student Services, and Science and Technology Classes	GO/UF	\$ -	\$ 10,566	11
24 Minneapolis CTC - Workforce Program Renovation	GO/UF	\$ -	\$ 12,990	12
25 Ridgewater CTC, Willmar - Tech Instruction Renovation	GO/UF	\$ -	\$ 14,300	13
26 MNWest CTC, Worthington - Field House and Existing Space	GO/UF	\$ -	\$ 4,641	14
27 South Central College, Faribault - Classroom Renovation and Addition	GO/UF	\$ -	\$ 13,360	15
28 Anoka Ramsey CC, Coon Rapids - Bioscience and Allied Health Addition	GO/UF	\$ -	\$ 16,484	16
29 North Hennepin CC - Bioscience and Health Careers Center Addition	GO/UF	\$ -	\$ 26,581	17
30 MN State Moorhead - Livingston Lord Library Renovation and Info Tech	GO/UF	\$ -	\$ 14,901	18
31 SW State - Plant Science Learning Center	GO/UF	\$ -	\$ 5,666	19
32 SCSU - Integrated Science and Engineering Laboratory	GO/UF	\$ -	\$ 42,334	20
33 Dakota County Technical College - Transportation and Emerging Technologies Lab	GO/UF	\$ -	\$ 7,230	21
34 St. Cloud Tech - Allied Health Center	GO/UF	\$ 5,421	\$ 5,421	22
35 Rochester CTC - Workforce Center Co-Location	GO/UF	\$ -	\$ 3,238	23
36 Renovation for Science, Technology, Engineering and Math Programs	GO/UF	\$ -	\$ 4,835	24
37 MN State University, Mankato - Clinical Science Building Design	GO/UF	\$ -	\$ 1,908	25
38 Normandale CC - Academic Partnership Center and Student Services	GO/UF	\$ 22,984	\$ 22,984	26
39 Bemidji State University - Business Building and Demolition	GO/UF	\$ -	\$ 3,425	27
40 Metro State University - Science Education Center Design and Property Acquisition	GO/UF	\$ -	\$ 3,444	28
41 Rochester CTC - Classroom Renovation	GO/UF	\$ -	\$ 987	29
42 Technical College Library Renovations	GO/UF	\$ -	\$ 3,448	30
43 Property Acquisition	GO/UF	\$ -	\$ 7,300	31
44				
45				
46	<b>Total</b>	<b>\$ 114,645</b>	<b>\$ 396,811</b>	
47	GO	\$ 93,097	\$ 301,207	
48	UF	\$ 21,548	\$ 95,604	
49				
<b>50 DEPARTMENT OF EDUCATION</b>				
51 Red Lake Capital Loan (Maximum Effort)	GO	\$ -	\$ 34,984	1
52 ISD 239 (Rushford-Peterson) Construction - Cooperative Facilities Grant	GO	\$ -	\$ 18,546	2
53 ISD 239 (Rushford-Peterson) Renovation - Cooperative Facilities Grant	GO	\$ -	\$ 1,387	3
54 Library Accessibility and Improvement Grants	GO	\$ -	\$ 1,500	4
55				
56				
57	<b>Total - GO</b>	<b>\$ -</b>	<b>\$ 56,417</b>	
58				
<b>59 MINNESOTA STATE ACADEMIES</b>				
60 MSAD New Dormitory	GO	\$ -	\$ 12,438	1
61 Asset Preservation	GO	\$ 2,000	\$ 4,260	2
62 MN State Academies - Independent Living Housing	GO	\$ -	\$ 500	3
63 MSA Technology Center Pre-Design	GO	\$ -	\$ 100	4
64 MSAB Roadway	GO	\$ -	\$ 500	5
65				
66				
67	<b>Total - GO</b>	<b>\$ 2,000</b>	<b>\$ 17,798</b>	

AGENCY Project Title	Fund	Gov's Recs. 1/15/10	2010 Agency Requests	2010 Priority Rank
68				
69				
70	GO	\$ 755	\$ 755	1
71	GO	\$ 489	\$ 489	1
72	GO	\$ -	\$ 64	1
73	GO	\$ -	\$ 99	1
74	GO	\$ -	\$ 49	2
75	GO	\$ -	\$ 129	2
76	GO	\$ -	\$ 67	3
77				
78				
79	<b>Total - GO</b>	<b>\$ 1,244</b>	<b>\$ 1,652</b>	
80				
81				
82	GO	\$ 4,000	\$ 4,000	1
83	GO	\$ 50,000	\$ 20,000	1
84	GO	\$ 1,000	\$ 2,000	1
85	GO	\$ 500	\$ 5,000	2
86	GO	\$ 2,000	\$ 2,000	2
87	GO	\$ -	\$ 3,000	2
88	GO	\$ 2,000	\$ 2,000	2
89	GO	\$ 500	\$ 8,000	2
90	GO	\$ 500	\$ 5,500	2
91	GO	\$ -	\$ 5,000	2
92	GO	\$ 2,000	\$ 3,000	2
93	GO	\$ 500	\$ 8,000	2
94	GO	\$ 3,500	\$ 7,000	2
95	GO	\$ -	\$ 3,000	2
96	GO	\$ 4,000	\$ 24,500	2
97	GO	\$ -	\$ 2,000	2
98	GO	\$ -	\$ 17,000	3
99	GO	\$ -	\$ 5,000	3
100	GO	\$ -	\$ 40,000	3
101	GO	\$ 6,000	\$ 10,000	3
102	GO	\$ -	\$ 3,000	3
103	GO	\$ -	\$ 20,000	4
104	GO	\$ -	\$ 5,500	4
105	GO	\$ 2,500	\$ 20,000	4
106	GO	\$ 7,500	\$ 23,000	4
107	GO	\$ 2,000	\$ 2,000	4
108				
109				
110	<b>Total - GO</b>	<b>\$ 88,500</b>	<b>\$ 249,500</b>	
111				
112				
113	GO	\$ 10,000	\$ 16,250	1
114	GO	\$ 4,000	\$ 6,000	2
115				
116				
117	<b>Total - GO</b>	<b>\$ 14,000</b>	<b>\$ 22,250</b>	
118				
119				
120	GO	\$ 4,200	\$ 8,420	1
121	GO	\$ 4,000	\$ 50,000	2
122				
123				
124	<b>Total - GO</b>	<b>\$ 8,200</b>	<b>\$ 58,420</b>	
125				
126				
127	GO	\$ 15,000	\$ 18,000	1
128	GO	\$ 6,000	\$ 15,000	2
129				
130				
131	<b>Total - GO</b>	<b>\$ 21,000</b>	<b>\$ 33,000</b>	
132				
133				
134	GO	\$ -	\$ 22,720	1
135	GO	\$ 8,700	\$ 16,700	2
136	GO	\$ -	\$ 1,920	3
137	GO	\$ 2,000	\$ 5,000	4

AGENCY Project Title	Fund	Gov's Recs. 1/15/10	2010 Agency Requests	2010 Priority Rank
138 Agency Relocation	GF	\$ 200	\$ 250	5
139				
140				
141	<b>Total</b>	<b>\$ 10,900</b>	<b>\$ 46,590</b>	
142	GO	\$ 10,700	\$ 46,340	
143	GF	\$ 200	\$ 250	
144				
145 <b>CAPITOL AREA ARCHITECTURAL PLANNING (CAAP) BOARD</b>				
146 Capitol Predesign	GO	\$ -	\$ 550	1
147 Capitol Area Light Rail Transit Mitigation	GO	\$ -	\$ 1,250	2
148				
149				
150	<b>Total - GO</b>	<b>\$ -</b>	<b>\$ 1,800</b>	
151				
152 <b>OFFICE OF ENTERPRISE TECHNOLOGY</b>				
153 Data Center - New Building	GO	\$ -	\$ 127,203	1
154 Data Center - Moving Costs and Hardware Relocation	GF	\$ -	\$ 3,803	1
155				
156				
157	<b>Total</b>	<b>\$ -</b>	<b>\$ 131,006</b>	
158	GO	\$ -	\$ 127,203	
159	GF	\$ -	\$ 3,803	
160				
161 <b>AMATEUR SPORTS COMMISSION</b>				
162 Rochester Volleyball Center - Phase 2	GO	\$ -	\$ 5,000	1
163 NW Regional Sports Center - Moorhead	GO	\$ -	\$ 4,000	2
164 SW Regional Sports Center - Marshall	GO	\$ -	\$ 4,000	3
165				
166				
167	<b>Total - GO</b>	<b>\$ -</b>	<b>\$ 13,000</b>	
168				
169 <b>MILITARY AFFAIRS</b>				
170 Asset Preservation	GO	\$ 8,000	\$ 8,000	1
171 Facility Life/Safety	GO	\$ 1,000	\$ 1,000	2
172 ADA Alterations	GO	\$ 900	\$ 900	3
173 Cedar Street Armory	GO	\$ 5,530	\$ 5,530	4
174 Troop Support Facility (Camp Ripley)	GO	\$ 1,061	\$ 1,061	5
175				
176				
177	<b>Total - GO</b>	<b>\$ 16,491</b>	<b>\$ 16,491</b>	
178				
179 <b>PUBLIC SAFETY</b>				
180 Emergency Management Training Facility (Camp Ripley)	GO	\$ 10,000	\$ 10,000	1
181 Emergency Operations Center (Arden Hills)	GO	\$ 2,250	\$ 2,250	2
182				
183				
184	<b>Total - GO</b>	<b>\$ 12,250</b>	<b>\$ 12,250</b>	
185				
186 <b>DEPARTMENT of TRANSPORTATION</b>				
187 Local Bridges	GO	\$ 75,000	\$ 75,000	1
188 Greater MN Transit Facilities	GO	\$ -	\$ 29,140	2
189 Local Road Improvement Fund Grants	GO	\$ 20,000	\$ 30,000	3
190 Railroad Grade Warning Device Replacement	GO	\$ 2,500	\$ 10,800	4
191 Rochester Maintenance Facility	THB	\$ 26,430	\$ 26,430	5
192 Maple Grove Truck Station	THF	\$ 15,800	\$ 15,800	6
193 Arden Hills Training Center	THB	\$ -	\$ 6,500	7
194 Little Falls Truck Station	THF	\$ 3,300	\$ 3,300	8
195 Maplewood Bridge Crew Building	THF	\$ 3,000	\$ 3,000	9
196 Design Fees - Willmar HQ, Plymouth TS	THF	\$ 700	\$ 700	10
197 Rail Service Improvement Account	GO	\$ -	\$ 10,000	11
198 Port Development Assistance	GO	\$ -	\$ 10,000	12
199 Southern Rail Corridor	GO	\$ 2,000	\$ 2,000	13
200				
201				
202	<b>Total</b>	<b>\$ 148,730</b>	<b>\$ 222,670</b>	
203	<b>GO</b>	<b>\$ 99,500</b>	<b>\$ 166,940</b>	
204	<b>THF</b>	<b>\$ 22,800</b>	<b>\$ 22,800</b>	
205	<b>THB</b>	<b>\$ 26,430</b>	<b>\$ 32,930</b>	

AGENCY Project Title	Fund	Gov's Recs. 1/15/10	2010 Agency Requests	2010 Priority Rank
206				
207				
208	GO	\$ 10,000	\$ 50,000	1
209	GO	\$ 3,000	\$ 10,500	2
210	GO	\$ -	\$ 25,000	3
211				
212				
213				
	<b>Total - GO</b>	<b>\$ 13,000</b>	<b>\$ 85,500</b>	
214				
215				
216	GO	\$ 89,072	\$ 96,000	1
217	GO	\$ 3,000	\$ 5,000	2
218	GO	\$ 5,782	\$ 5,782	3
219	GO	\$ -	\$ 300	4
220	GO	\$ -	\$ 618	5
221				
222				
223				
	<b>Total - GO</b>	<b>\$ 97,854</b>	<b>\$ 107,700</b>	
224				
225				
226	GO	\$ 9,450	\$ 9,450	1
227	GO	\$ 6,490	\$ 6,490	2
228	GO	\$ 450	\$ 450	3
229	GO	\$ -	\$ 100	4
230	GO	\$ -	\$ 11,000	5
231	GO	\$ -	\$ 8,500	6
232				
233				
234				
	<b>Total - GO</b>	<b>\$ 16,390</b>	<b>\$ 35,990</b>	
235				
236				
237	GO	\$ 8,000	\$ 40,000	1
238	GO	\$ 7,405	\$ 7,405	2
239	GO	\$ -	\$ 10,934	3
240	GO	\$ 3,529	\$ 3,529	4
241	GO	\$ 6,500	\$ 6,500	5
242	GO	\$ -	\$ 4,786	6
243	GO	\$ -	\$ 4,018	7
244	GO	\$ -	\$ 1,998	8
245				
246				
247				
	<b>Total - GO</b>	<b>\$ 25,434</b>	<b>\$ 79,170</b>	
248				
249				
250	GO	\$ 25,000	\$ 30,000	1
251	GO	\$ 15,000	\$ 20,000	2
252				
253				
254				
	<b>Total - GO</b>	<b>\$ 40,000</b>	<b>\$ 50,000</b>	
255				
256				
257	GO	\$ 30,000	\$ 30,000	1
258	GO	\$ 20,000	\$ 30,000	2
259	GF	\$ 400	\$ 600	3
260				
261				
262				
	<b>Total</b>	<b>\$ 50,400</b>	<b>\$ 60,600</b>	
263	GO	\$ 50,000	\$ 60,000	
264	GF	\$ 400	\$ 600	

AGENCY Project Title	Fund	Gov's Recs. 1/15/10	2010 Agency Requests	2010 Priority Rank
265				
266	<b>HOUSING FINANCE AGENCY</b>			
267	MHFA	\$ 5,000	\$ 27,500	1
268	GF	\$ 400	\$ 2,200	1
269	MHFA	\$ -	\$ 2,500	2
270	GF	\$ -	\$ 200	2
271	GO	\$ -	\$ 10,000	3
272				
273				
274	<b>Total</b>	<b>\$ 5,400</b>	<b>\$ 42,400</b>	
275	GO	\$ -	\$ 10,000	
276	GF	\$ 400	\$ 2,400	
277	MHFA	\$ 5,000	\$ 30,000	
278				
279	<b>MINNESOTA HISTORICAL SOCIETY</b>			
280	GO	\$ 3,400	\$ 6,713	1
281	GO	\$ -	\$ 9,857	2
282	GO	\$ -	\$ 1,500	3
283				
284				
285	<b>Total - GO</b>	<b>\$ 3,400</b>	<b>\$ 18,070</b>	
286				
287	<b>FINANCE</b>			
288	GO	\$ 740	\$ -	-
289	THB	\$ 25	\$ -	-
290				
291	<b>Total</b>	<b>\$ 765</b>	<b>\$ -</b>	
292	GO	\$ 740	\$ -	
293	THB	\$ 25	\$ -	
294				
295	<b>Cancellations</b>			
296	THB	\$ (9,500)	\$ -	-
297	GO	\$ (525)	\$ -	-
298	GO	\$ (1,403)	\$ -	-
299	GO	\$ (22,000)	\$ -	-
300	GO	\$ (2,283)	\$ -	-
301	GO	\$ (692)	\$ -	-
302	GO	\$ (2,000)	\$ -	-
303	GO	\$ (361)	\$ -	-
304				
305				
306	<b>Total</b>	<b>\$ (38,764)</b>	<b>\$ -</b>	
307	<b>GO</b>	<b>\$ (29,264)</b>	<b>\$ -</b>	
308	<b>THB</b>	<b>\$ (9,500)</b>	<b>\$ -</b>	
309				
310	<b>BILL TOTALS</b>	<b>Cancel-GO</b>	<b>\$ (29,264)</b>	<b>\$ -</b>
311		<b>GO</b>	<b>\$ 713,800</b>	<b>\$ 1,764,032</b>
312		<b>UF</b>	<b>\$ 21,548</b>	<b>\$ 95,604</b>
313		<b>GF</b>	<b>\$ 1,000</b>	<b>\$ 7,053</b>
314		<b>THB</b>	<b>\$ 26,455</b>	<b>\$ 32,930</b>
315		<b>Cancel-THB</b>	<b>\$ (9,500)</b>	<b>\$ -</b>
316		<b>THF</b>	<b>\$ 22,800</b>	<b>\$ 22,800</b>
317		<b>MHFA</b>	<b>\$ 5,000</b>	<b>\$ 30,000</b>
318		<b>Total</b>	<b>\$ 751,839</b>	<b>\$ 1,952,419</b>
319				
320	<b>New GO Spending</b>	GO	\$ 713,800	\$ 1,764,032
321	<b>Cancellations</b>	GO	\$ (29,264)	\$ -
322		<b>Total GO Impact</b>	<b>\$ 684,536</b>	<b>\$ 1,764,032</b>
323				