

Subject Capital project replacement accounts

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Overview

This bill, as amended by H3582DE2, would require a grantee that receives an appropriation of state money for a capital improvement project to establish a capital project replacement account to rehabilitate, expand, or replace the capital project once it has reached its useful life. Other administrative, auditing, and penalty requirements are also provided.

Effective for capital projects receiving state funding on or after July 1, 2024.

Summary

Section	Description
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1	[16A.865] Capital project replacement accounts.
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Subd. 1. Replacement account establishment. Requires a grantee that receives an appropriation of state money for a capital improvement project subject to chapter 16A to establish a capital project replacement fund for major rehabilitation, expansion, or replacement of the capital project once the project has reached its useful life. Upon written approval by the granting state agency, the fund may be used to address improvements for the capital project before the useful life is reached or the fund may be used for a different capital asset owned by the grantee.

The grantee must adopt a capital project replacement policy for the capital project replacement fund that specifies the risks to be mitigated by the fund, the intended use of the fund, and the criteria for use of the fund to address other capital improvement needs of the grantee.

“Grantee” does not include a state agency or state official for purposes of this section.

Subd. 2. Minimum deposits. The commissioner of management and budget must determine the annual minimum deposit amounts in the capital project

Section **Description**

replacement funds by capital project type. The commissioner must consider a variety of factors when determining the minimum deposit amounts.

Subd. 3. Account auditing. The state auditor may audit capital project replacement accounts as part of the regular audits of local governments.

Subd. 4. Exceptions. Provides that capital projects that already require a replacement fund under the water infrastructure funding program or under a different law, rule, or ordinance are exempt from the requirements of the section so long as the deposits into the replacement fund are at least as large as the minimum deposits established by the commissioner of management and budget under subdivision 2.

Subd. 5. Penalty. If a grantee does not comply with the requirements of this section the granting state agency assesses a penalty fee to the grantee equal to one percent of the appropriation of state money for the capital project for each year of noncompliance. Penalty fees would be remitted by the granting state agency to the commissioner of management and budget for deposit into the general fund.

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