

HF3780 - 1A - Capital Budget Process Assistance; MMB

Chief Author: **Fue Lee**
 Committee: **State Government Finance and Policy**
 Date Completed: **3/16/2022 1:12:04 PM**
 Agency: **Minn Management and Budget**

State Fiscal Impact	Yes	No
Expenditures	X	
Fee/Departmental Earnings		X
Tax Revenue		X
Information Technology		X
Local Fiscal Impact		X

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions shown in the parentheses.

State Cost (Savings)	Biennium			Biennium		
	Dollars in Thousands	FY2021	FY2022	FY2023	FY2024	FY2025
General Fund	-	-	464	464	464	464
Total	-	-	464	464	464	464
Biennial Total			464			928

Full Time Equivalent Positions (FTE)	Biennium			Biennium	
	FY2021	FY2022	FY2023	FY2024	FY2025
General Fund	-	-	3	3	3
Total	-	-	3	3	3

LBO Analyst's Comment

I have reviewed this fiscal note for reasonableness of content and consistency with the LBO's Uniform Standards and Procedures.

LBO Signature: Joel Enders **Date:** 3/16/2022 1:12:04 PM
Phone: 651-284-6542 **Email:** joel.enders@lbo.mn.gov

State Cost (Savings) Calculation Details

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions are shown in parentheses.

*Transfers In/Out and Absorbed Costs are only displayed when reported.

State Cost (Savings) = 1-2		Biennium			Biennium	
Dollars in Thousands	FY2021	FY2022	FY2023	FY2024	FY2025	
General Fund	-	-	464	464	464	
Total	-	-	464	464	464	
Biennial Total			464			928
1 - Expenditures, Absorbed Costs*, Transfers Out*						
General Fund	-	-	464	464	464	
Total	-	-	464	464	464	
Biennial Total			464			928
2 - Revenues, Transfers In*						
General Fund	-	-	-	-	-	
Total	-	-	-	-	-	
Biennial Total			-			-

Bill Description

HF 3780, as amended by the A1 amendment, appropriates an amount to be determined from the general fund to the Commissioner of Management and Budget (MMB) for expanded capital budget capacity.

First, the bill as amended funds increased capacity at MMB to proactively raise awareness about the capital budget process and provide technical assistance around the requirements associated with receiving general fund or general obligation bond funding for capital projects, with particular focus on nonprofits, American Indian communities, and communities of color that have traditionally not participated in the state capital budget process. The bill as amended also appropriates funds to increase the agency's capacity to coordinate with other state agencies regarding the administration of grant agreements, programs, and technical assistance related to capital projects governed by the provisions of Minnesota Statutes, chapter 16A, and other applicable laws and statutes.

Second, the bill as amended requires that any employee position funded by the appropriation must:

- Provide technical assistance and expertise on the capital budget process, state general obligation bonds, compliance requirements that must be met at various stages of capital project development, sustainable building design guidelines, and the interaction and coordination between various disciplines including, but not limited to, architecture, engineering, and construction, that occurs during the development of a capital project; and

- From the initial stages of a qualifying capital project, be available to provide technical assistance to nonprofits and any grantee of state funds for a capital project that qualifies for exemption from the requirements under section 16B.335, subdivision 1, based on construction cost.

Assumptions

In assembling assumptions about administrative effort and cost estimates for this bill as amended, MMB consulted its Debt Management and Budget Services Divisions.

Currently 2 FTEs in the Debt Management Division and 1 FTE in the Budget Services Division have duties that include providing coordination in the state capital budget process and technical assistance with capital investment financing. In order to increase capacity with a particular focus on nonprofits, American Indian communities, and communities of color that have traditionally not participated in the state capital budget process, 2 additional FTEs will be added:

- 1 FTE in the Debt Management Division will provide technical assistance around the requirements associated with receiving general fund or general obligation bond funding for capital projects. This includes coordination with state

agencies to provide assistance as needed regarding grant agreements and program language.

-1 FTE in the Budget Division will proactively raise awareness about the capital budget process and the requirements associated with applying for and receiving capital budget funding.

Currently no FTEs at MMB provide direct technical assistance about compliance requirements; MMB typically refers detailed questions about compliance requirements to the agencies with the most expertise for the question. For example, sustainable building guidelines are typically referred to staff at the University of Minnesota. Another example is that questions that would require expertise in architecture, engineering, and construction, or relate to MS 16B.335 subdivision 1 exemptions and predesign, are typically referred to staff at the Department of Administration. In order to provide capacity around these new roles for MMB, 1 FTE will be added:

-1 FTE in the Debt Management Division will be a resource about compliance requirements that must be met at various stages of capital project development, sustainable building design guidelines, and the interaction and coordination between various disciplines including, but not limited to, architecture, engineering, and construction, that occurs during the development of a capital project. This FTE will also, from the initial stages of a qualifying capital project, be available to provide technical assistance to nonprofits and any grantee of state funds for a capital project that qualifies for exemption from the requirements under section 16B.335, subdivision 1. It is also assumed that this FTE will coordinate with other agencies, including the University of Minnesota and the Department of Administration, in working with projects.

-This cycle, 30 nonprofit projects have been submitted to MMB. With the 1 FTE in the Budget Division proactively raising awareness, it is assumed that this number will double in future capital budget cycles to 60 projects. Assuming this FTE works with projects from when they first approach the state for funding to completion of the request information in the process, to ensure they understand the details and requirements, it is assumed that 25 hours will be spent with each project. This is 1,500 hours out of 2,088 work hours assumed in the year, or 72% of the position's time. The remaining 588 hours, or 28% of time, for the FTE is assumed to be spent working with other projects, such as state agency or local projects included in the capital budget process.

The classification assumed for these 3 FTE, 17M in the managerial plan, is the classification of positions in the Budget and Debt Management Divisions that currently assist with the state's capital budget process (executive budget officers and a state program administrator manager senior).

Fringe costs for all MMB employee salary costs identified below are assumed to be 32.84 percent of salary, which is the average percentage for all MMB employees as projected in the SEMA4 system in FY 2022. Employee overhead costs are assumed to be 16.32 percent of total salary and fringe costs. Overhead includes costs such as space, laptops and employee technology, phone, supplies, printing, training, and travel. This percentage represents the average percent of MMB's total general fund operating budget spent on non-payroll employee overhead costs in the previous biennium.

Expenditure and/or Revenue Formula

The calculation for annual costs associated with 3 FTEs at MMB--two in the Debt Management Division (one for expanded capital budget capacity and one for compliance requirements expertise and coordination), and one in the Budget Division for expanded capital budget capacity, as described above, is as follows:

Classification: 17M in managerial plan
Number of Positions: 3
Hourly Wage: 47.98
Hours: 2,088
Fringe: 1.3284
Overhead: 1.1632
Total Annual Cost: \$464,403

Long-Term Fiscal Considerations

These positions are assumed ongoing and added to the base budget at MMB.

Local Fiscal Impact

References/Sources

Agency Contact:

Agency Fiscal Note Coordinator Signature: Paul Moore

Phone: 651-201-8004

Date: 3/16/2022 12:07:07 PM

Email: paul.b.moore@state.mn.us