Governor's 2023 Capital Budget

Presentation to the House Capital Investment Committee

January 30, 2023 | Commissioner Jim Schowalter





Agenda

- 1. Overview of the Capital Budget Process
- 2. Growing Needs for Minnesota's Infrastructure
- 3. Updating 2022 Information for the 2023 Recommendations
- 4. Overview of Governor's Infrastructure Plan
- 5. Capital Budget Financing





Capital Budget Process





The Capital Budget

- Developed in the odd numbered calendar year for submission to the Legislature in January of the evennumbered calendar year
- MMB posts Capital Budget Instructions, collects requests in the Capital Budget System, and publishes requests and the Governor's Recommendations





2022 Capital Budget Process

- March May 2021: MMB authorizes Capital Budget System (CBS) users
- Early May 2021: MMB publishes instructions and CBS opens for requests
- Mid-June 2021: Deadline for state agency and local government requests
- July 15, 2021: Preliminary requests published and submitted to Legislature
- Mid-October 2021: Deadline for state agency and local government edits
- Fall/Winter 2021: Projects reviewed, including site visits, meetings, and public comments
- January 18, 2022: Final requests published and submitted to Legislature with the Governor's Recommendations





Growing Needs for Minnesota's Infrastructure





Nearly \$5.5 Billion in Requests from State Agencies and Political Subdivisions

Over \$4 billion requested in

state agency requests for state facilities and local grant programs

Nearly \$1.5 billion requested

in direct requests from local governments

As of January 2022





Updating 2022 Information for the 2023 Recommendations



Updating Projects

Requests that used MMB's Inflation Schedule to calculate costs



Can use MMB's updated Inflation Schedule

Requests that used their own inflation estimate to calculate costs



Can update their project costs

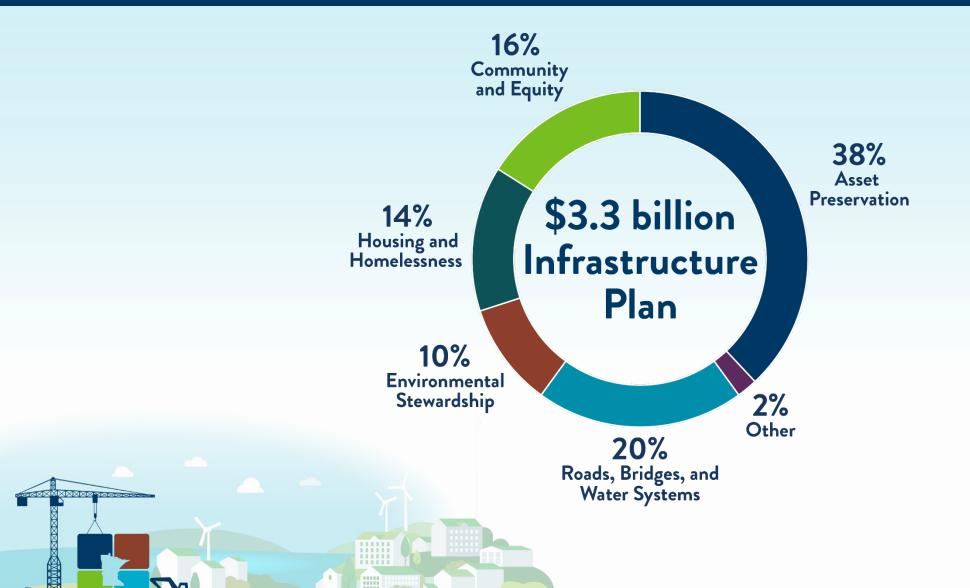




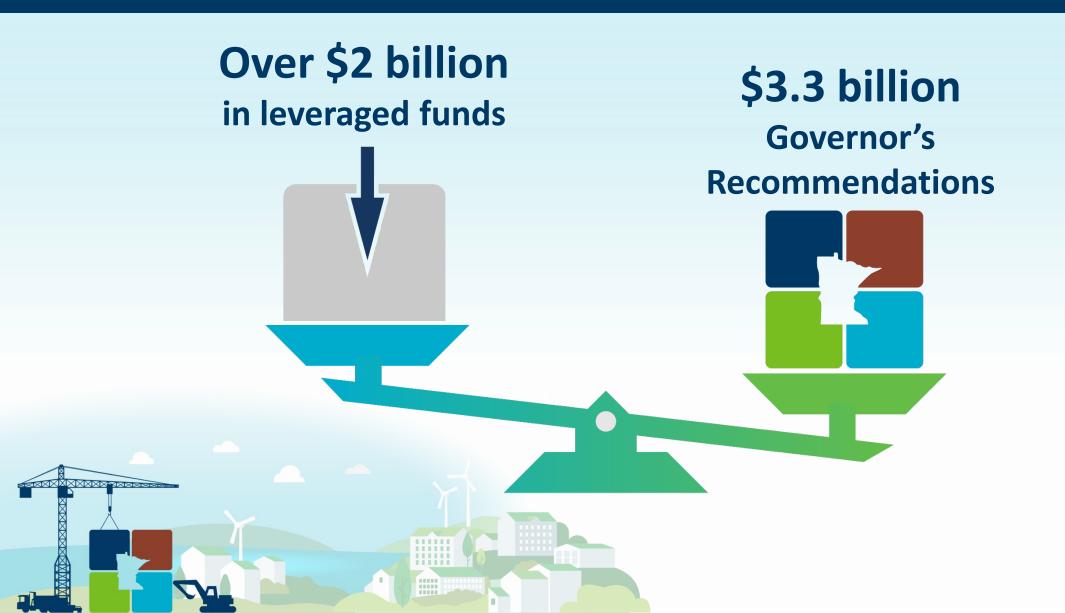
Overview of the Governor's Infrastructure Plan



Governor's Infrastructure Plan



Governor's Infrastructure Plan



Governor's Recommendations for IIJA Implementation

Agency	Proposal	Source	FY 24-25	FY 26-27
Commerce	State Competitiveness Energy Fund	General	113,750	
Commerce	Utility Grid Reliability Assessment Extension	Special Revenue	2,000	2,000
Commerce	Energy Resources and Staffing	General	2,520	2,520
Health	Lead Service Line Inventory	General	6,000	
Management and Budget*	Expanded Financial Leadership and Oversight Capacity	General	4,406	5,036
Metropolitan Council	IIJA Match/Bus Electrification	General	29,200	-
MNIT*	Statewide Cybersecurity Advancements	General	32,880	
Natural Resources Modernizing Utility Licensing for State Lands and Public Waters General		1,830	1,020	
Public Facilities Authority	Water Infrastructure Initiative	GO Bonds	41,000	
Public Safety	State Patrol Commercial Vehicle Enforcement Federal Match	Trunk Highway	10,496	10,496
Transportation	Maximize Federal Transportation Climate Funding	General	4,000	4,000
Transportation	Multimodal Transportation Package	General	722,112	
		Trunk Highway Bonds	50,000	
Transportation	Registration Tab Fee Restructure	CSAH/MSAS	117,546	169,209
Subtotal, Operating Funds			1,046,740	194,281
Subtotal, Capital Budget			91,000	
Total Governor's Recommend	dation for IIJA Match or Support, All Sources		1,137,740	194,281
* IIJA-related costs are a portion of larger proposal. Table reflects total costs of proposal.				





Asset Preservation



The cost to maintain a building is cheaper than the cost to repair it. The line on the graph above highlights the cost per square foot to repair our state-owned buildings depending on the building condition status. The graph also reflects the percent of state-owned buildings within each building status category.















Capital Budget Financing



Capital Budget Funding Summary

Totals above rounded to the nearest million.

General Obligation Bonds	\$1.891 billion	
Other Financing	\$1.383 billion	
Appropriation Bonds	\$250 million	
User-Financed Bonds	\$58 million	
Trunk Highway Bonds	\$168 million	
Trunk Highway Cash	\$8 million	
Equity focused cash investments	\$200 million	
Other cash investments	\$699 million	
Total	\$3.274 billion	

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Biennial Impact of the Governor's Recommendations

General Fund	FY 2024-25	FY 2026-27
General Obligation Bonds	\$67,798	\$154,321
Appropriation Bonds	-	\$30,000
General Fund Cash	\$889,197	\$2,170
Total General Fund	\$956,995	\$186,491
Trunk Highway Fund	FY 2024-25	FY 2026-27
Trunk Highway Bonds	\$13,909	\$29,947
Trunk Highway Cash	\$8,432	-
Total Trunk Highway Fund	\$22,341	\$29,947

Amounts in thousands



Debt Capacity Guidelines



Guideline #1: Total tax-supported principal outstanding as a percent of personal income

Threshold: < **3.25%**

Nov. Forecast: 2.02%



Guideline #2: Total amount of taxsupported principal (both issued, and authorized but unissued) as a percent of state personal income

Threshold: < 6.00%

Nov. Forecast: 3.28%

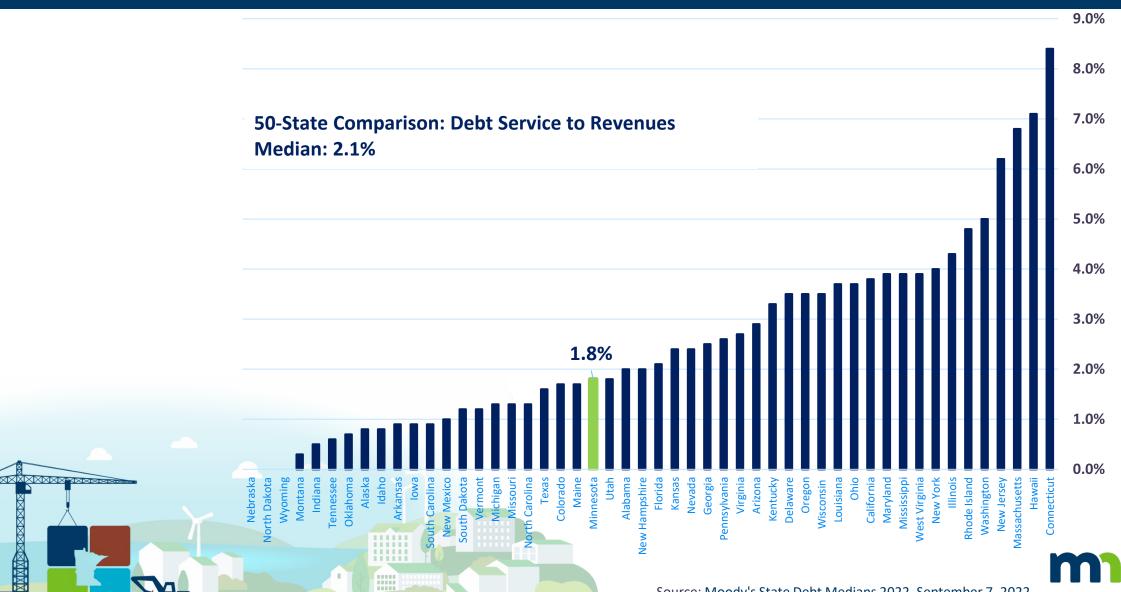


Guideline #3: No less than 40% of G.O. bonds scheduled to mature within five years and 70% of G.O. bonds scheduled to mature within 10 years

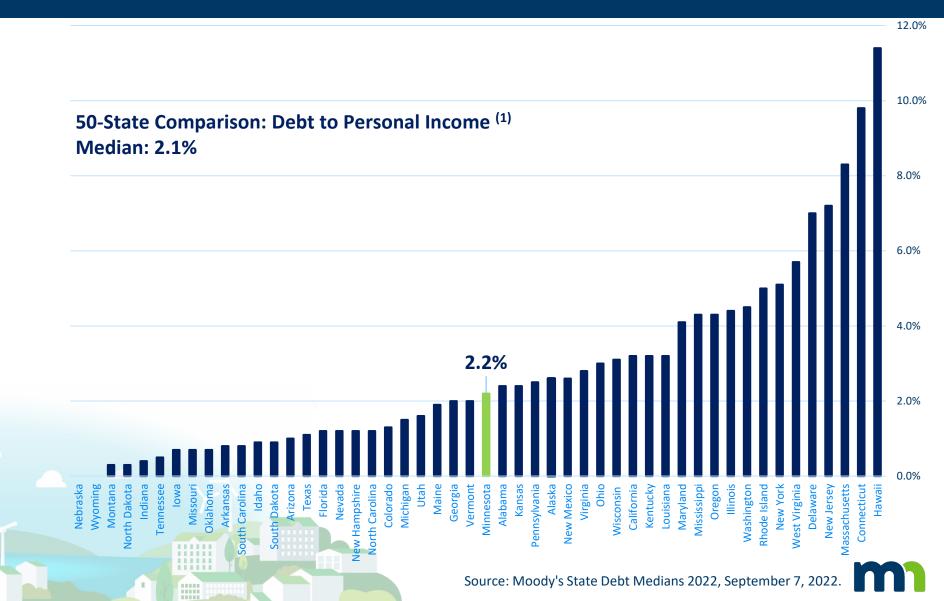
Threshold: ≥ 40%/70%

Nov. Forecast: 42.7%/74.8%

Debt Service to Revenues Comparison



Debt to Personal Income Comparison



Capital Budget Materials

Materials are available on MMB's "Current Capital Budget" website:

https://mn.gov/mmb/budget/capital-budget/current/





Questions?



One Minnesota Budget

Department of Transportation

Capital Budget

MnDOT at a Glance

- 4th largest roadway system in the nation
- **360 construction projects** planned in the 22-23 biennium
- \$30-33 billion in planned investments for state highways over the next 20 years (MnSHIP)
- MnDOT supports:
 - 7 active ports (3 Lake Superior and 4 Mississippi River ports
 - 34 transit providers serving all 80 non-metro counties
 - 133 publicly owned state-funded airports
 - 4,420 **track miles** serving 21 railroad companies



Infrastructure Investment and Jobs (IIJA)

- \$4.8 billion over five years in Federal highway formula funding for roads and bridges
 - Represents a ~30 percent increase in the state's highway formula funding
- ~20% increase for existing core programs + new programs (Carbon, PROTECT, Bridge, EVs)
- New and expanded competitive grant programs for state, local, and tribal governments:
 - INFRA (Infrastructure for Rebuilding America) \$14B
 - RAISE (Rebuilding American Infrastructure with Sustainability and Equity) \$7.5B
 - Bridge Investment Program (in addition to bridge formula program) \$12.5B
 - National Infrastructure Project Assistance (MEGAprojects) \$5B
 - Safe Streets and Roads for All (vision zero) \$5B
 - Promoting Resilient Operations for Transformative, Efficient and Cost-Saving Transportation (PROTECT) Grants \$1.4B
 - Rural Surface Transportation Grant Program (RURAL) \$1B

MnDOT - IIJA State and Local Match (estimates)

All amounts in table below reflect <u>rough</u> estimates in millions:

Program	Federal Funds/Year	State/Local Match
FHWA – MnDOT (@70%)	\$170M*	\$40M (@20%)
FHWA – Locals (@30%)	\$70M	\$20M (@20%)
FAA	\$60M	\$7M (@10%)
FTA – MnDOT portion only	\$13M	\$7M (@36%)
Discretionary programs **	\$450M (@2% of total national funding)	\$112M (@20%)
Grand Total	\$760M	\$185M

^{*}Need additional budget authority from state legislature via increased direct appropriations (unlike typical LAC process for federal funds)

^{**}Estimates of Minnesota's portion of the many new and expanded discretionary grant programs are for illustrative purposes only

Governor's Recommended Capital Budget

Recommendation	Funding Source	Amount
High Priority Bridges*	ТНВ	\$80 M
Local Bridge Replacement Program*	GO	\$144 M
Local Road Improvement Program*	GO	\$108 M
Highway Railroad Grade Crossing-Warning Devices Replacement	GO	\$6 M
Port Development Assistance Program*	GO	\$6 M
Safe Routes to School	GO	\$1.8 M
Active Transportation*	GO/GF	\$6 M
Statewide Freight Safety Investments	THF	\$5 M
Minnesota Rail Service Improvement Program	GO	\$2.4 M
Greater Minnesota Transit Capital Program*	GO	\$1.2 M
Facilities Capital Improvement Program	THB/THF	\$90.9 M
Rail Corridor Capacity Improvements*	GO	\$19.9 M
Funding Source	Abbreviation	Total Amount
General Fund General Obligation Bonds	GO	\$294.1 M
Trunk Highway Fund General Obligation Bonds	THB	\$167.4 M
General Fund Cash	GF	\$1.2 M
Trunk Highway Fund Cash	THF	\$8.4 M
Total Project Funding		\$471.2 M

^{*}Potential IIJA Match

One Minnesota Budget

Questions?

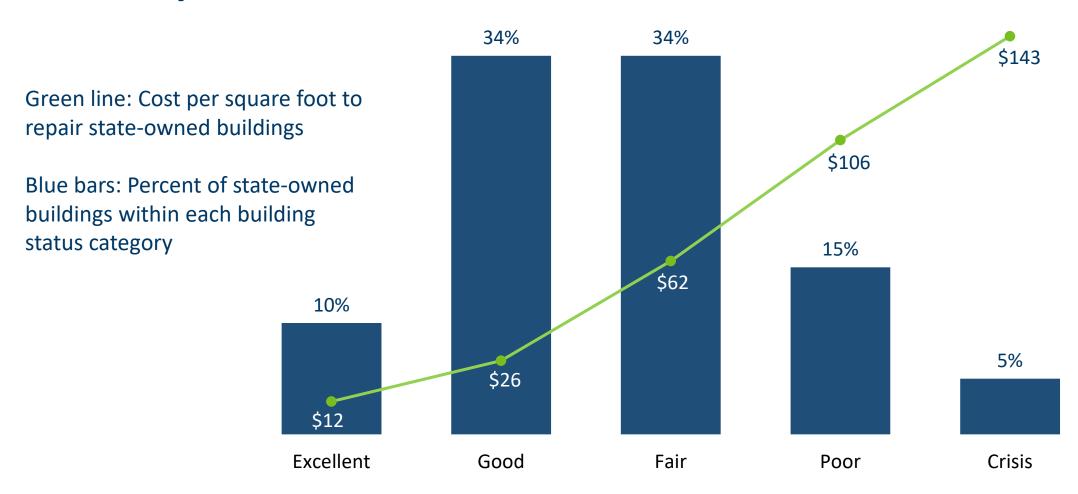


2023 Capital Budget Requests

House Capital Investment Committee | January 30, 2022

Asset Preservation

It's Cheaper to Maintain than Fix



Deferred Maintenance







34M+



\$9.8B



41 Years



\$1.9B

Request Overview



Improves security on the Capitol Complex



Promotes state leadership towards more efficient operations



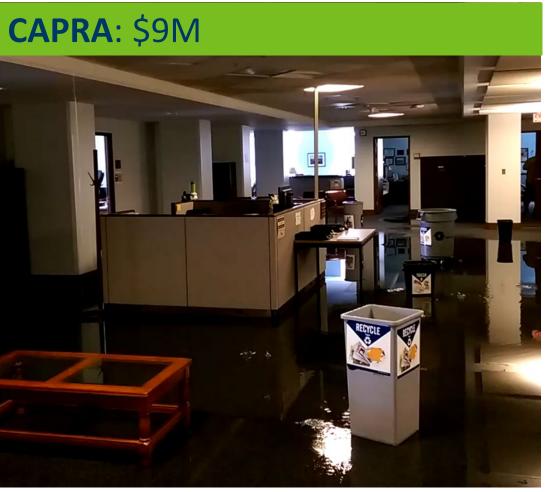
Maintains emergency CAPRA account



Stabilizes the Parking Fund

Parking Fund and CAPRA





State Building and Fleet Sustainability and Efficiency



Building Access, Security, and Demolition



ADA Building
Accommodation Fund
\$1.2 million GF

Capitol Complex Security
Upgrades Phase II

\$40.3 million GO, \$15.7 million GF

Ford Building Site \$4.4 million GO

Admin Capital Budget Summary

Project Title	Ranking	Source	2023
Capitol Complex Parking Fund Debt Relief	1	GF	\$12M
Ford Building Site	2	GO	\$4.4M
CAPRA (Capital Asset Preservation and Replacement Account)	3	GO	\$2.1M
		GF	\$6.9M
State Building Energy Conservation Revolving Loan Fund	4	GF	\$12M
State Building Renewable Energy Fund	5	GF	\$6M
Capitol Complex Security Upgrades Phase II	7	GO	\$40.3M
		GF	\$15.7M
ADA Building Accommodation Fund	8	GF	\$1.2M
Total Project Requests			\$100.6M



Thank you

Alice Roberts-Davis, Commissioner



Minnesota Department of Veterans Affairs

Governor's Recommended 2023 Capital Investment January 30, 2023



Agency Profile

Mission

Serving Minnesota Veterans, their dependents and survivors by connecting them with the federal and state care and benefits they have earned.

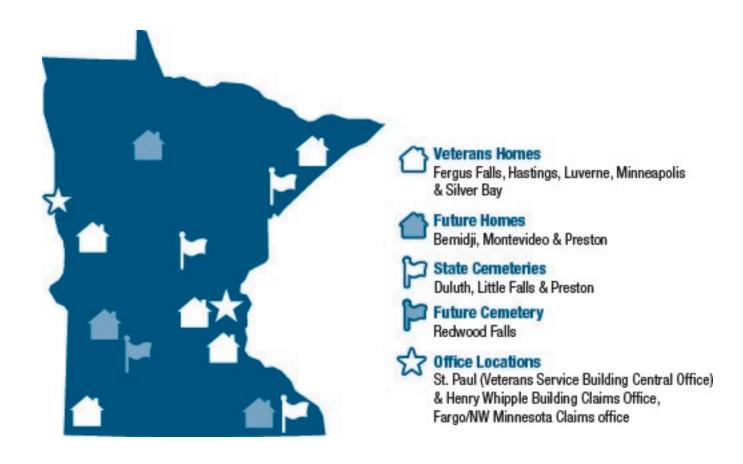
What We Do

The Minnesota Department of Veterans Affairs runs Minnesota's five state veterans homes and assists Minnesota's nearly 300,000 Veterans and their dependents in securing available benefits and services.





MDVA throughout Minnesota



On-campus MDVA representatives serve public and private colleges and universities across the state.





MVH-Hastings Home Campus Upgrade Request #1

2023 Capital Investment Request #1

\$77.77 million (State share) to replace the State facility that houses the Minnesota Veterans Home-Hastings Domiciliary Program.





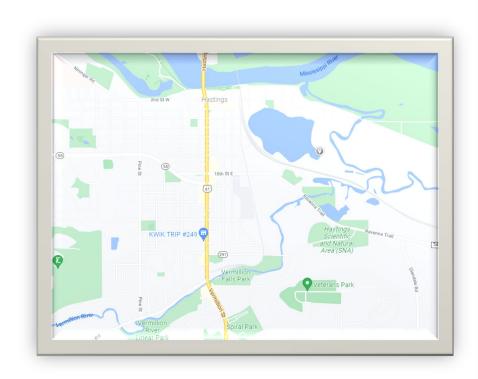
MVH-Hastings Domiciliary Program

- Since 1978, the Minnesota Veterans Home-Hastings (MVH-Hastings) has provided domiciliary care for Veterans.
- Domiciliary program currently serves as home to 148 Veterans in two locations.
- Domiciliary care is mental, chemical and medical support for Veterans who require less than skilled levels of care.





MVH-Hastings Home Campus Location



Hastings, MN



Campus Location (detail)





MVH-Hastings History & Facilities Overview

Background/Timeline:

- 1902 Asylum for the Hopelessly Insane (1,100 patients) and included a farm & cemetery
- 1911, 1916, 1919, 1929, 1948 and 1952 additions to the main dormitory (Building 23)
- 1978 MDVA starts Domiciliary care for 200 Veterans on 128 Acre site
- 1980, 1993 and 2000 Recent campus renovations (safety and code issues)
- 2008 Last renovation on campus with downsizing to 150 Veterans
- 2019 Building 1 & 2 (Leased Space to Cochran Recovery Services): a third-party assessment is that building components and systems are at or well beyond useful life and near failing
- 2020-2021 Building 25: Fungal growth & mold observed, lack of air exchanges in living spaces and HVAC failing with no replacement parts
- 2021 Capital Improvement Study Completed





Capital Improvement Plan: Hastings

Issues to be solved:

- Six buildings are nearing the end of their useful life (20 total buildings on campus)
- Third part Deferred maintenance estimate is \$18.6 million without capital improvements
- Domiciliary program spaces are in three separate buildings with public road separating 30+ Veterans
- Rooms are double occupancy with communal bathrooms down the hall
- Physical security is difficult to establish and maintain
- Hastings Campus needs updating in order to meet SB2030 requirements
- Capital Improvement Study Conclusion "due to the numerous building deficiencies, to invest in upgrading and renovating these buildings is not a good use of funds"





MVH-Hastings Campus Assessment and Master Planning

- MDVA established a master planning team and embarked on a physical condition assessment study and development of a campus master plan.
- Goals were to determine the best approach to improving the MVH-Hastings for both Veteran residents and overall campus experience.







State of Minnesota Department of Veterans Affairs MASTER PLAN STUDY

Minnesota Veterans Home - Hastings Hastings, Minnesota RECS Project Number: 75HA0044

April 30, 2021

Wold Architects and Engineers 332 Minnesota Street, Suite W2000 Saint Paul, MN 55101 woldae.com | 651 227 7773 PLANNERS ARCHITECTS ENGINEERS

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MVH-Hastings Home Campus: Master Plan Recommendation

Best Solution: Consolidate Domiciliary Program at Hastings

- Provides all Veterans access even with limited mobility or during winter conditions
- All Veterans would have private rooms with private baths
- Significantly improves sustainability and lowering operating costs
- Would increase physical security to Veterans and staff
- Improves campus safety due to equipment, elevators, and workspaces up to new building codes
- Program spaces are all in one building





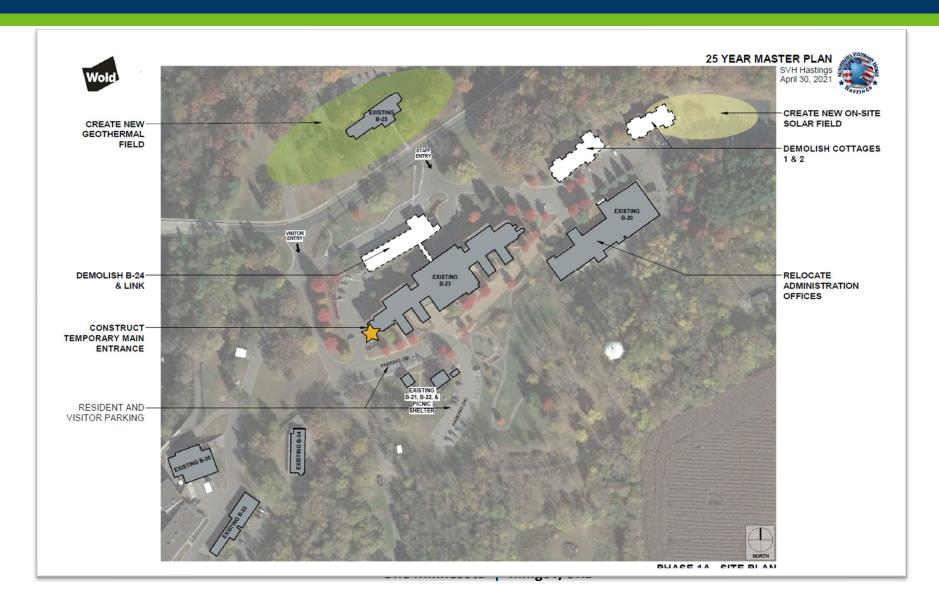
MVH-Hastings Home Campus: Master Plan Recommendation

- The recommendation is to demolish 5 buildings, including Buildings 23, 24 & 25, to be replaced with one building which consolidates Veterans housing, services, and support spaces.
- The project timeline is 42-months for all phases including predesign, design, site-preparation, demolition & construction.





MVH-Hastings Conceptual Plans Phase 1A - Site Plan



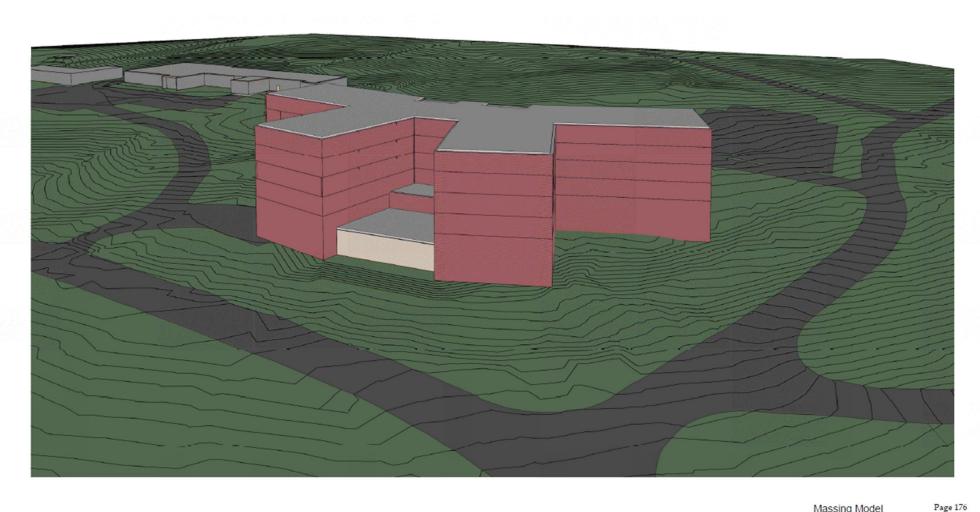


MVH-Hastings Conceptual Plans Phase 1B - Site Plan





MVH-Hastings New Housing Exterior Elevation Rendition







MVH-Hastings – Resident Households

18 Resident units per Household / 2 Households per level



LEVELS 3-6



MVH-Hastings Final Layout





MVH-Hastings Campus Update Summary of Funding

- \$77.77 million is the state's share (35%) for predesign, design, demolition and construction of replacement administrative and residential infrastructure at the Minnesota Veterans Home-Hastings campus.
- State would seek \$144.2 million (65%) from the Federal VA as a share of the modernization project cost.





Agency-wide Asset Preservation Priority #2

 \$12.36 million for Asset Preservation improvements and betterments of a capital nature at the Minnesota Veterans Homes and State Veterans Cemeteries







Asset Preservation MVH-Minneapolis – Bldg. 16

\$7.8 million for the renovation of Building 16 on the Minnesota Veterans Home – Minneapolis Campus

- Roof Drainage, leakage, lacks adequate insulation
- Elevators Two hydraulic elevator systems are outdated and have sustained significant water damage which leads to mechanical failures
- HVAC infrastructure is mostly original to the 1973 Building and well beyond its reliable life expectancy which has created ongoing maintenance issues and resident dissatisfaction with the environmental conditions provided.
- Windows Many are original to the building
- Security Door locks, lighting, key cards, front desk
- Nurses Station Need for greater resident privacy and care team functionality
- Lighting full conversion to LED







Agency-wide Asset Preservation

\$4.56 million for a backlog of asset preservation needs

- Projects are located at the Minnesota Veterans Homes (Minneapolis, Hastings, Luverne, Fergus Falls, Silver Bay) and Cemeteries (Little Falls, Preston, Duluth).
- This request would update a variety of resident and cemetery building components, ensuring buildings meet State and Federal building codes, life/safety codes, Department of Health and other licensing code agency requirements.
- These projects serve to maintain a safe, efficient, and manageable environment for the residents, staff and the general public.
- Examples of projects in this request include roofs, chillers, tuck-pointing, elevators repairs, window and door replacement, mechanical and electrical replacements and repairs, water damage repair, and repairs to high pressure boilers.



Questions

