HOUSE RESEARCH
Bill Summary

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Article 1

Capital Improvements

Section

1 **Capital improvement appropriations.** New in this section is a provision requested by bond counsel and the Department of Management and Budget (MMB) that authorizes state agencies and officials to spend a portion of an appropriation to pay the capital costs of staff directly attributable to the capital project or projects funded with bond funds, consistent with the adopted department policies. Absent this express authority, otherwise eligible expenditures cannot be made. The legislature may exclude any particular project or agency from this authorization.

The December 2008 internal control and compliance audit of general obligation bond expenditures by the Legislative Auditor found that the Department of Management and Budget did not have a formal, written policy on paying internal project management costs from bond funds. Although the department advised agencies not to pay staff costs from bond funds without express legislative authority, the audit found that some agencies had done so. The department has now adopted a formal, written policy.

2 **University of Minnesota.**

3 **Minnesota State Colleges and Universities.**

4 **Education.**

5 **Minnesota State Academies.**

6 **Perpich Center for Arts Education.**

7 **Natural Resources.**

8 **Pollution Control Agency.**

9 **Board of Water and Soil Resources.**

10 **Minnesota Zoological Garden.**

11 **Administration.**

12 **Amateur Sports Commission.**

13 **Military Affairs.**

14 **Public Safety.**

15 **Transportation.**

Subd. 2. Local bridges. Includes a direction to the commissioner of management and budget, subject to approval by the commissioner of transportation, to implement by November 1, 2010, a grant administration method that does not require a separate grant agreement for each project, that provides for efficient audits relating to state bond financed property, ensures that uses of state bond financed property will not cause the interest on the bonds issued to be or become taxable, and that otherwise complies with the state constitution and statutes governing state general obligation bonding. Requires a report to the legislature.

This provision is a result of the December 2008 internal control and compliance audit of general obligation bond expenditures by the Legislative Auditor that found the system in place for grants by MnDOT did not require adequate grant agreements. Counties and MnDOT believe the grant agreements MMB required in 2009 (after the audit) are unnecessarily burdensome and this provision is intended to address the need for a revised grant agreement process for bridge projects without halting grants to be made with this appropriation.

16 **Metropolitan Council.**

17 **Health.**

18 **Human Services.**

Subd. 6. Sex offender treatment center; facilities study. Requires the commissioner of human services to study and report by January 15, 2011, to the legislature on the potential for using existing vacant or underused state facilities, including regional treatment centers, for the sex offender treatment program or other programs and services administered by the commissioner.

19 **Veterans Affairs.**

20 **Corrections.**

21 **Employment and Economic Development.**

22 **Public Facilities Authority.**

23 **Minnesota Housing Finance Agency.**

24 **Minnesota Historical Society.**

25 **Biomass heating.** Requires, to the extent practicable, that a heating system funded under this article must be capable of using biomass as a fuel source.

26 **Bond sale expenses.**

27 **Bond sale authorization.**

28 **Cancellation; bond sale authorizations reduced.** Cancels remaining amounts from bond proceeds fund appropriations for projects that are completed or amounts otherwise identified by agencies as unneeded. Reduces the corresponding bond sale authorizations.

29 **Debt capacity forecast.** Provides for the forecast to be made once a year, in November, rather than twice a year. This change was requested by the Department of Management and Budget. Also requires the debt capacity report to include the percent of nondedicated general fund revenues used for debt service for the prior ten years (this is commonly referred to as the 3 percent guideline).

30 **Report on expenditure of bond proceeds.** Requires the Department of Management and Budget to report annually to the chairs and ranking minority members of the house and senate committees with jurisdiction over capital investment, finance, and ways and means on the amount and percentage of each agency's capital appropriation that is used to pay capital costs of staff directly attributable to the capital project funded with general obligation bond proceeds. Requires reporting on agencies' compliance with the Department of Management and Budget policies.

This relates to the addition in section one.

31 **Capital projects encouraged to meet state climate goals.** Requires the commissioners of commerce, administration, and management and budget to promote and encourage incorporation of cost-effective solar, wind, and geothermal energy systems into capital projects in order to help achieve the state climate goals.

32 **Authority to issue.** Requested by the Department of Management and Budget, permits the state to issue 911 revenue bonds as tax credit or interest subsidy bonds.

33 **Sale; certain costs of issuance.** Requested by the Department of Management and Budget, this relates to "build America bonds" - taxable bonds with a federal interest subsidy that results in bonds that can be a better deal than tax-exempt bonds. Tax-exempt bonds (most of what the state issues for capital projects) are typically sold at a premium. That is, the buyers pay more than the value of the bonds. The extra amount is used by the state to pay the underwriters and other costs of issuing the bonds, and the remainder of the premium is deposited into the state bond fund (used to pay debt service). Taxable bonds are not sold at a premium and so there is no extra money from the sale to cover underwriters' costs. The state does not have authority to issue more bonds than needed for project costs. So the state has not used the Build America bonds authority. The proposed language gives the state the authority to issue more bonds than the amount needed to pay for project costs in order to

have enough money to pay the underwriters and other costs of issuance. The proposed language specifies that the extra amount issued cannot result in an increase in the general fund transfer to pay debt service.

There is a proposal at the federal level to make permanent the now-temporary authority for Build America bonds.

34 **Special provisions for sale and issuance.** Request by the Department of Management and Budget; the new language does two things. First, it allows the state to issue cross-over refunding bonds, which is an authority local governments have. Second, it allows bids for the securities to be purchased for the escrow account to be secured through the State Board of Investment or a suitable financial institution.

35 **Information provided (state climate goals).** Requires a political subdivision's application for capital funding to state whether the project will help the state cost-effectively achieve the state climate goals.

36 **Recycling construction and demolition waste from buildings; requirement.** Directs the commissioner of administration to include in building contracts a requirement for contractors and subcontractors to recycle at least 50 percent of the nonhazardous waste, measured by weight or volume. Applies to projects receiving capital funding after January 1, 2010. Applies to construction and renovation projects of $5 million or more and to all demolition projects that are within 40 miles of a recycling facility that handles the applicable type of waste.

37 **Use for mitigation prohibited.** Prohibits RIM reserve funds from being used for environmental regulatory or wetland mitigation purposes.

38 **Innovative business development public infrastructure grant program.** Renames the bioscience business development public infrastructure grant program the "innovative business development public infrastructure grant program. Defines "innovative business" and "proprietary technology."

39 **Grant criteria; rulemaking.** Clarifying.

40 **Program administration; rulemaking.** Modifies state transportation fund grant making. Requires MnDOT, in consultation with local road authorities, to establish a minimum distance between any two bridges that cross over the same waterway so that only one of the bridges is eligible for a grant under this section. Permits exceptions.

41 **Grant authority (early childhood learning facilities grants).** Increases the maximum grant amounts for early childhood learning facilities grants: from $300,000 to $500,000 for each program in an individual facility, up to a maximum of $2,000,000 for a facility that houses three or more programs, increased from $750,000.

42 **Grant priority (early childhood learning facilities grants).** Adds to the early childhood learning facilities grant program priorities a project that will improve the quality of early childhood programs.

43 **Red Rock Corridor transit way.** Adds acquisition of property and construction to the permitted uses of the 2005 appropriation for the transit way.

44 **Bioscience development.** Allows the 2005 appropriation for Ramsey and Anoka Counties road improvements also to be used for road and bridge improvements at Highway 36 and Rice Street.

45 **Asset preservation (Minnesota State Academies).** Changes the purpose of the 2006 appropriation of $25,000 from design of Frechette Hall improvements to asset preservation.

46 **Koochiching Renewable Energy Clean Air Project.** Amends the 2006 appropriation so that the county or its EDA may implement the project and permits use of the money to upgrade a county waste transfer station that serves the project and to do site preparation for the project. Permits money to be made available as nonstate match is made available.

47 **Red Rock corridor transit way.** Adds acquisition of property and construction to the permitted uses of the 2006 appropriation for the transit way.

48 **Itasca County – infrastructure.** Modifies the 2006 appropriation for infrastructure to support the steel plant so it can be used by the regional railroad authority and the public utilities commission in addition to the county.

49 **State road construction.** Amends the 2008 transportation funding act to (1) shift trunk highway bonding authorization to occur earlier, so that fiscal year 2011 and 2012 appropriations are increased from $100 million to $200 million (in each fiscal year) and fiscal years 2017 and 2018 appropriations are removed; and (2) prevent cancellation of the bonding authority from occurring prior the year of the bonding authorization.

50 **Technology center (Minnesota State Academies).** Changes the purpose of the 2008 appropriation from predesign for Mott Hall to predesign of a technology center.

51 **Mississippi River aquatic invasive species barrier.** Allows the 2008 appropriation to be used for renovation or construction of a barrier, not just design. This allows the money to be used for the Coon Rapids Dam project.

52 **State trail acquisition, rehabilitation, and development.** Modifies the 2008 Minnesota River Trail project so it goes from Appleton to the Marsh Lake Dam.

53 **Itasca County – steel plant infrastructure.** Modifies the 2008 appropriation for infrastructure to support the steel plant so it can be used by the regional railroad authority and the public utilities commission in addition to the county.

54 **Old Cedar Avenue bridge.** Modifies the 2008 appropriation to renovate, not replace, the bridge.

55 **Minneapolis veterans home.** Permits the 2008 appropriation for demolition of building 9 to also be used to make associated site improvements. There was some money remaining after demolition was complete.

56 **Management (Lake Vermilion State Park).** Requires the land acquired for Lake Vermilion State Park, until state park infrastructure development begins, to continue to be open to the public to use for hunting, fishing, and trail use.

57 **Acquisition; Lake Vermilion State Park.** Strikes the cap on the purchase price.

58 **Intercity passenger rail projects.** Permits MnDOT to spend a portion of the appropriation to pay capital costs of agency staff directly attributable to the capital project, consistent with the policies adopted by the Department of Management and Budget. (The new authority in section 1 does not apply to prior appropriations. This grants specific authority to a prior appropriation.)

59 **Bond sale schedule.** Amends (lowers) the 2009 bond sale schedule, which sets the limit on the amount that may be transferred from the general fund to the state bond fund to pay debt service during the biennium.

60 **Lease revenue; St. Cloud Technical College.** Exempts the Minnesota State Colleges and Universities (MnSCU) Board of Trustees from a statutory requirement to pay lease revenue on a building acquired for St. Cloud Technical College and leased to a private party proportionate to the share of state bond funding for the building. Requires the board to pay one-third of the lease revenue to the state to be used for the debt payment on the building acquired for St. Cloud Technical College.

In 2006, the Board of Trustees of MnSCU for St. Cloud Technical College acquired the adjacent Allied Health/Health Partners building with a $3.4 million appropriation of state bond funds. The appropriation represented 95 percent of the total purchase price. Since the purchase, the majority of the facility has been leased to the previous owner for a lease payment plus operating costs. Minnesota law requires private lease payments on bond financed property to be paid to MMB in the same proportion as the state bond financing for the property less operating costs. The December 2008 internal control and compliance audit of general obligation bond expenditures by the Legislative Auditor found that the college failed to pay the required 95 percent of its lease revenue to the state.

61 **Buy American/buy local certification.** Requires certification to the commissioner of management and budget by each entity appropriated money in this act that the iron, steel, and manufactured goods used in a project are produced in the United States and obtained from local suppliers and manufacturers, and that preference will be given to employment of local workers. Provides for exceptions if the entity certifies that there would not be sufficient quantity of satisfactory quality or that it would increase the overall project cost. Requires the entity to publish the certification in the State Register.

62 **Report on jobs created or retained.** Directs the commissioner of employment and economic development to report to the legislature by February 15, 2012, on the jobs created or retained as a result of the projects funded in this act.

63 **E-Verify use required.** Requires a person or entity using money appropriated in this act to use the e-verify program in hiring a person to work on a project funded in part or whole with money appropriated in this act. Applies to hires made on or after the effective date.

64 **Repealer.** Repeals the 2009 law that prohibits demolition or removal of the Rock Island Bridge.

65 **Effective** the day following final enactment.

Article 2

Flood Hazard Mitigation and Prevention

1	**Appropriation summary.** See the summary for article 1, section 1, for the provision that is new.
2	**Natural Resources.** Flood hazard mitigation grants.
3	**Board of Water and Soil Resources.** RIM conservation reserve.
4	**Bond sale expenses.**
5	**Bond sale authorizations.**
6	**Grants authorized (flood hazard mitigation program).** Prohibits the commissioner of natural resources from making any grants or spending money on the Fargo-Moorhead metropolitan diversion project until the federal government commits to fund and implement measures to protect areas downstream from the diversion.
7	**Red River basin flood mitigation projects.** Strikes the list of area projects eligible for 75 percent funding so that any flood hazard mitigation project in the Red River basin that is consistent with the 1998 mediation agreement and approved b the work group is eligible for 75 percent funding.
8	**Effective** the day following final enactment.