

This Document can be made available  
in alternative formats upon request

State of Minnesota

HOUSE OF REPRESENTATIVES

NINETY-THIRD SESSION

H. F. No. **3582**

02/12/2024 Authored by Lee, F.; Hansen, R.; Xiong and Her  
The bill was read for the first time and referred to the Committee on State and Local Government Finance and Policy  
02/22/2024 Adoption of Report: Amended and re-referred to the Committee on Capital Investment

1.1 A bill for an act  
1.2 relating to capital investment; requiring local governments to establish a  
1.3 replacement fund to maintain and replace capital projects that receive state funding;  
1.4 proposing coding for new law in Minnesota Statutes, chapter 16A.

1.5 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

1.6 Section 1. **[16A.865] CAPITAL PROJECT REPLACEMENT ACCOUNTS.**

1.7 Subdivision 1. **Replacement account establishment.** (a) A grantee that receives an  
1.8 appropriation of state money for a capital improvement project subject to chapter 16A must  
1.9 establish a capital project replacement fund for major rehabilitation, expansion, or  
1.10 replacement of the capital project once the project has reached its useful life, or another use  
1.11 as permitted under this section. Money must remain in the account for the useful life of the  
1.12 capital project, as determined by the grant agreement with the granting state agency, unless  
1.13 use of the fund is approved in writing by the granting state agency for major rehabilitation,  
1.14 expansion, or replacement of the capital project funded with state money, or to address a  
1.15 capital improvement project for a different capital asset owned by the grantee.

1.16 (b) A grantee must adopt a capital project replacement policy that specifies the following  
1.17 for the capital project replacement fund:

- 1.18 (1) the risks to be mitigated or managed by the fund;
- 1.19 (2) the intended use of the replacement fund, including but not limited to, how the fund  
1.20 will be used for major rehabilitation, expansion, or replacement of the capital project; and

2.1 (3) criteria for the use of the fund to address other capital improvement needs of the  
2.2 grantee, including safety and security, maintenance and utility costs, availability of repair  
2.3 parts and materials, sustainability, and any other criteria the grantee deems relevant.

2.4 (c) For the purposes of this section, "grantee" does not include a state agency or state  
2.5 official.

2.6 Subd. 2. **Minimum deposits.** The commissioner of management and budget must  
2.7 determine the annual minimum deposit amounts into capital project replacement funds by  
2.8 capital project type. The commissioner must take into account depreciation, construction  
2.9 cost inflation, and other relevant factors when determining the minimum deposit amounts.

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

2.12 Subd. 4. **Exceptions.** Capital projects that already require a replacement fund under  
2.13 section 446A.072, subdivision 12, or any other law, rule, or ordinance, are exempt from the  
2.14 requirements under this section, so long as the deposits into the replacement fund are at  
2.15 least as large as the minimum deposits established by the commissioner of management  
2.16 and budget under subdivision 2.

2.17 Subd. 5. **Penalty.** Failure of a grantee to comply with the requirements of this section  
2.18 shall result in the granting state agency assessing a penalty fee to the grantee equal to one  
2.19 percent of the appropriation of state money for the capital project for each year of  
2.20 noncompliance. Penalty fees shall be remitted by the granting state agency to the  
2.21 commissioner of management and budget for deposit into the general fund.

2.22 **EFFECTIVE DATE.** This section is effective for capital projects receiving state funding  
2.23 on or after July 1, 2024.