16A.632 CAPITAL ASSET PRESERVATION AND REPLACEMENT ACCOUNT.

Subdivision 1. **Establishment.** A capital asset preservation and replacement account is established in the state bond proceeds fund established by section 16A.631, separate from any other accounts maintained in that fund, to receive state bond proceeds appropriated to the commissioner of administration to be expended for the purpose and in accordance with the standards and criteria set forth in this section.

Subd. 2. **Standards.** (a) Article XI, section 5, clause (a), of the constitution states general obligation bonds may be issued to finance only the acquisition or betterment of state land, buildings, and improvements of a capital nature. In interpreting this and applying it to the purposes of the program contemplated in this section, the following standards are adopted for the disbursement of money from the capital asset preservation and replacement account.

(b) An appropriation under this section may not be used to acquire new land or buildings or to construct new buildings or additions.

(c) An expenditure will be made from the account only when it is a capital expenditure on a capital asset previously owned by the state, within the meaning of accepted accounting principles as applied to public expenditures. The commissioner of administration will consult with the commissioner of management and budget to the extent necessary to ensure this and will furnish the commissioner of management and budget a list of projects to be financed from the account in order of their priority. The commissioner shall also furnish each revision of the list. The legislature assumes that many provisions for preservation and replacement of portions of existing capital assets will constitute betterments and capital improvements within the meaning of the constitution and capital expenditures under correct accounting principles, and will be financed more efficiently and economically under the program than by direct appropriations for specific projects. However, the purpose of the program is to accumulate data showing how additional costs may be saved by appropriating money from the general fund for preservation measures, the necessity of which is predictable over short periods.

(d) The commissioner of administration will furnish instructions to agencies to apply for funding of capital expenditures for preservation and replacement from the account, will review applications, will make initial allocations among types of eligible projects enumerated below, will determine priorities, and will allocate money in priority order until the available appropriation has been committed. An appropriation under this section may not be used to make minor emergency repairs.

(e) Categories of projects considered likely to be most needed and appropriate for financing are the following:

(1) unanticipated emergencies of all kinds involving impacts to state-owned property;

(2) major projects to address life safety for existing buildings and sites, including but not limited to security, replacement of mechanical and other building systems, building code violations, or structural defects;

(3) removal or containment of hazardous substances like asbestos or PCBs;

(4) major projects to replace and repair roofs, windows, tuckpointing, and structural members necessary to preserve the exterior and interior of existing buildings; and

(5) up to ten percent of an appropriation awarded under this section may be used for design costs for projects eligible to be funded from this account in anticipation of future funding from the account.

Subd. 3. **Criteria for priority.** (a) Criteria can be stated only in general terms, as it is the purpose of the program to improve the allocation of limited amounts of borrowed money by enlisting the engineering expertise of the Department of Administration and the closer knowledge and experience of this and all other agencies in determining relative needs as they develop. The following criteria must be considered:

(b) Urgency in ensuring the safety of use of existing buildings is the first criterion to be applied. It will require judgments, for example, about the useful life of electric and mechanical systems and roofs, in relation to the remaining useful life of each building, and about the presence of hazardous substances and structural defects in the light of present building regulations.

(c) Economy is also to be determined and may even reinforce a decision based on the first criterion, if the project would forestall a larger future capital expenditure or would reduce operating expense.

(d) Absolute cost must also be considered. It may be too high to warrant funding except by an additional appropriation, or so high as to warrant a recommendation to abandon or to replace the building. It may be so low as to permit payment out of an agency's operating budget.

Subd. 4. **Report.** By January 15 of each year the commissioner of administration, with respect to each state agency, shall submit to the commissioner of management and budget, the chairs of the finance divisions that oversee the appropriations to that state agency, and to the chairs of the senate Finance Committee and the house of representatives Capital Investment Committee, a list of the projects in the agency that have been funded with money from the capital asset preservation and replacement account during the preceding calendar year, as well as a list of those priority projects for which CAPRA appropriations will be sought for the agency in that year's legislative session.

History: *1990 c 610 art 1 s 34; 1996 c 463 s 30; 1997 c 187 art 3 s 1; 2002 c 393 s 34; 2009 c 101 art 2 s 109; 2023 c 62 art 2 s 61*