

**Senate Counsel, Research, and Fiscal Analysis**

Tom Bottem, Director

Minnesota Senate Building  
95 University Ave. W. Suite 3300  
St. Paul, MN 55155-1800  
(651) 296-4791  
www.senate.mn/scrfa

**Senate**

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**State of Minnesota**

TO: Capital Investment Committee Members

FROM: Stephanie James, Senate Counsel (651/296-0103)

DATE: April 19, 2022

RE: Asset Preservation and Replacement Programs

Omnibus capital investment bills have typically appropriated money for asset preservation for state and University of Minnesota property, through four statutory asset preservation programs, described below.

**Higher Education Asset Preservation and Replacement (“HEAPR”)**

An appropriation for HEAPR, under Minnesota Statutes, [section 135A.046](#), is used for asset preservation and replacement for facilities at Minnesota State Colleges and Universities and at the University of Minnesota. Appropriations for HEAPR must be used for the following purposes:

- code compliance including health and safety;
- Americans with Disabilities Act requirements;
- hazardous material abatement;
- access improvement;
- air quality improvement;
- building energy efficiency improvements using current best practices;
- building or infrastructure repairs necessary to preserve the interior and exterior of existing buildings; or
- renewal to support the existing programmatic mission of the campuses

Up to ten percent of an appropriation may be used for design costs for eligible projects.

Each postsecondary governing board is required to establish priorities for HEAPR projects. These priorities are submitted annually by January 15 to the chairs of the committees on higher education finance, the senate finance committee, and the house capital investment committee, and the commissioner of management and budget, along with a report as to the use of HEAPR funds in the preceding calendar year.

## **Natural Resources Asset Preservation and Replacement (“NRAPR”)**

Asset preservation and replacement at certain facilities under the control the department of natural resources can be funded under the program under Minnesota Statutes, [section 84.946](#).

An appropriation for NRAPR may only be used for a capital expenditure on a capital asset previously owned by the state. The commissioner of natural resources must consult with the commissioner of management and budget to ensure compliance and must provide the commissioner of MMB with a list of projects to be financed from the NRAPR account in prioritized order.

An appropriation for NRAPR cannot be used to acquire land or to acquire or construct buildings or other facilities.

An appropriation for NRAPR must be used for the following types of capital projects:

- code compliance including health and safety;
- Americans with Disabilities Act requirements;
- hazardous material abatement;
- access improvement;
- air quality improvement;
- building energy efficiency improvements using current best practices;
- building or infrastructure repairs necessary to preserve the interior and exterior of existing buildings;
- projects to remove life safety hazards such as building code violations or structural defects; and
- renovation of other existing improvements to land including, but not limited to, trails and bridges.

Up to ten percent of a NRAPR appropriation may be used for design costs for eligible projects.

The commissioner of natural resources must establish priorities for NRAPR projects. Annually, by March 15, the commissioner of natural resources must submit to the commissioner of management and budget a list of projects that have been paid for in the preceding calendar year with an appropriation for NRAPR.

## **Capital Asset Preservation and Replacement Account (“CAPRA”)**

There are two statutory programs used for asset preservation and replacement for other state-owned capital assets that are not higher education or natural resources facilities. The first is named the Capital Asset Preservation and Replacement Account (“CAPRA”), a program under Minnesota Statutes, [section 16A.632](#). Agencies submit applications for this funding to the commissioner of administration. The commissioner of administration prioritizes projects based on statutorily-defined factors, including the urgency in ensuring safety, economic considerations, and absolute cost. The commissioner of administration allocates funds based on the prioritized order of projects.

An appropriation for CAPRA cannot be used to acquire new land, buildings, or make major new improvements.

An appropriation for CAPRA may only be used for capital expenditures on a capital asset previously owned by the state. The commissioner of administration must consult with the commissioner of management and budget to ensure compliance. The commissioner of administration must provide the commissioner of management and budget with a prioritized list of projects to be financed with money appropriation for CAPRA.

Categories of projects likely to be most needed and appropriate for financing are:

- unanticipated emergencies, for which a relatively small amount must be initially reserved, replaced from money allocated to low-priority projects, if possible, as emergencies occur, and used for stabilization rather than replacement if the replacement cost would exhaust the account;
- projects to remove life safety hazards, like replacement of mechanical systems, building code violations, or structural defects, at costs not large enough to require major capital requests to the legislature;
- elimination or containment of hazardous substances like asbestos or PCBs; and
- moderate cost replacement and repair of roofs, windows, tuckpointing, and structural members necessary to preserve the exterior and interior of existing buildings.

Up to ten percent of CAPRA money may be used for design costs for eligible projects.

The commissioner of administration must report annually by January 15 a prioritized list of projects for which CAPRA appropriations will be sought for each agency, and a list of projects funded with money from the account in the preceding year. The report must be submitted to the chairs of the finance divisions that oversee appropriations to the state agency and to the chairs of the senate finance committee and the house capital investment committee, and to the commissioner of management and budget.

### **Asset Preservation**

The second statutory program for asset preservation for state-owned capital assets, other than higher education or natural resources, is under Minnesota Statutes, [section 16B.307](#). This is the statutory program typically cited in specific topical sections of the bonding bill to direct asset preservation money in specific areas or specific facilities. The constraints on the use of money in this program are similar to constraints under CAPRA and the permitted uses are similar, though not identical, to CAPRA's permitted uses. The program under section 16B.307 accommodates bond proceeds as well as general fund money.

An appropriation for asset preservation under this program cannot be used to acquire new land or to acquire or construct new buildings, additions to buildings, or major new improvements, with the exception that an addition to an existing building may be constructed if it is a required component of a hazard removal project.

An appropriation for asset preservation under this program can only be used for capital expenditures on a capital asset previously owned by the state. The commissioner of administration must consult with the commissioner of management and budget to ensure compliance with this requirement and must provide MMB with a prioritized list of projects to be funded through this program.

Categories of projects likely to be most needed and appropriate for financing are:

- projects to remove life safety hazards, like building code violations or structural defects;
- projects to eliminate or contain hazardous substances like asbestos or lead paint;
- major projects to replace or repair roofs, windows, tuckpointing, mechanical or electrical systems, utility infrastructure, tunnels, site renovations necessary to support building use, and structural components necessary to preserve the exterior and interior of existing buildings; and
- projects to renovate parking structures.

Up to ten percent of an appropriation under this program can be used for design costs for eligible projects.

Annually, agencies must provide a list of priorities for asset preservation projects for which funding will be sought in the next legislative session. The commissioner of an agency that received an appropriation for asset preservation under this section must submit a report annually by January 15 with a list of projects funded through this program in the preceding calendar year. The report must be submitted to the chairs of the capital investment committees in the house and the senate, the chairs of committees that oversee appropriations to the agency, and to the commissioner of management and budget.

## **Reports**

The Legislative Reference Library makes the reports mandated for these programs available through its website, as part of an ongoing digital archiving project. The most recent versions of these reports for these programs are accessible through the following links:

HEAPR – University of Minnesota - List of [projects funded](#) from 2017-2020

HEAPR – Minnesota State Colleges and Universities

- List of [projects funded](#) from 1/1/21 to 12/31/22
- List of [proposed HEAPR projects](#) for 2022

NPAPR – [Summary Report for 2021](#)

CAPRA – [Summary Report for 2021](#)

Asset Preservation – [Summary Report for 2021](#)

To navigate to these reports, go to the Legislative Reference Library site, click on “Books and Reports” then on “Mandated Reports” and enter “asset preservation” in the Title search box.

In addition to the required information, some of these reports contain information on historical funding for these programs.