



**Agencies' Use of Capital Appropriations
for Staff Costs Attributable to
Capital Programs or Projects**

Report to the Legislature

January 18, 2023

*As required by
Minn. Stat., Sec. 16A.501(b)*

ESTIMATED COSTS OF PREPARING THIS REPORT

The cost information reported below is the estimated cost of preparing this report document. Special funding was not appropriated for the costs of preparing this report.

In accordance with Minn. Stat., Sec. 3.197, the estimated cost incurred by Minnesota Management and Budget in preparing this report is less than \$1,000.

BACKGROUND

On October 20, 2009, MMB issued its “Policy Regarding Use of General Obligation Bond Proceeds to Fund Staff Costs.” This policy became effective for bonding appropriations authorized in the 2010 legislative session and for earlier bonding appropriations that contained specific statutory authority to use G.O. bond proceeds to pay costs of staff directly involved in delivering a capital project or program.

MMB’s goal in implementing the policy was to establish uniform procedures for agencies to charge capitalizable staff costs to bonding appropriations and to establish MMB oversight of the process. The policy requires each agency desiring to charge staff costs to bonding appropriations to submit a plan to MMB for its approval. The plan must indicate how the agency intends to track staff costs charged to each bonding appropriation, which tracking must be by employee, by project or program and by hour spent. Each agency must report staff costs charged to bonding appropriations to the Capital Bonding Coordinator and to its Executive Budget Officer on a quarterly basis and certify that such time is properly capitalizable as a cost of the project or program in accordance with applicable accounting principles.

The 2010 bonding bill (Laws 2010, ch. 189) imposed a reporting requirement for MMB as discussed below. Capital investment bills starting with the 2010 bonding bill now routinely contain language authorizing state agencies to use appropriated funds to pay staff costs directly attributable to the capital program or project in accordance with MMB’s accounting policies.

THE REPORTING REQUIREMENT

Section 28 of the 2010 bonding bill (codified as Minn. Stat., Sec. 16A.501(b)) requires MMB to report to the Legislature by January 15 of each year as to the amount and percentage of each agency’s capital appropriation that is used to pay for the costs of staff directly attributable to capital programs or projects funded with state general obligation bond proceeds. The report must also address agency compliance with policies of the Commissioner of MMB as to use of general obligation bond proceeds to pay staff costs and any changes to the Commissioner’s policies.

AGENCY REPORTING AND COMPLIANCE

The following 13 agencies have submitted plans to MMB since 2010 to charge staff costs to one or more bonding appropriations and such plans were approved by MMB: Administration, Board of Water and Soil Resources, Department of Natural Resources, Minnesota Historical Society, Metropolitan Council, Pollution Control Agency, Department of Transportation, University of Minnesota, Minnesota State Colleges and Universities, the Minnesota Zoo, Department of Human Services, Department of Education and the Department of Employment and Economic Development.

For the current reporting period, the following seven agencies have submitted one or more quarterly reports of staff costs charged to bonding appropriations in compliance with MMB's policy: Administration, Department of Natural Resources, Minnesota Historical Society, Department of Transportation, University of Minnesota, Minnesota State Colleges and Universities, and Board of Water and Soil Resources. The data that appears on the spreadsheet attached as **Exhibit A** to this report includes amounts spent on staff costs for the current reporting period.

Several agencies that have received capital appropriations since 2010 have indicated that they do not intend to charge staff costs to bonding appropriations, including: Military Affairs, Amateur Sports and Public Facilities Authority. Further, the Department of Administration administers the capital appropriations for construction projects for state-owned assets for several other agencies and thus those agencies do not charge any of their internal staff costs to bonding appropriations, including: Department of Corrections, Department of Public Safety, Minnesota State Academies, Perpich Center for Arts Education, and Veterans Affairs.

With respect to MMB's assessment of the degree of agency compliance with the Commissioner of MMB's policy regarding staff costs, we believe that state agencies are attentive to and seek to comply with the policy's requirements.

Minn. Stat., Sec. 16A.501(b) requires MMB to discuss any changes to its policies regarding the charging of staff costs to bonding appropriations. MMB has not changed the policy adopted on October 20, 2009 and discussed above. However, MMB did attach an addendum to the policy in 2014 that provides additional clarification to agencies on what is a capitalizable staff cost.

RELATED POLICY

[MMB Policy Regarding Use of General Obligation Proceeds to Fund Staff Costs](https://mn.gov/mmb/debt-management/capital-projects/staff-costs/), October 20, 2009
(<https://mn.gov/mmb/debt-management/capital-projects/staff-costs/>)

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