

2000-2005 MINNESOTA STRATEGIC CAPITAL BUDGET PLAN

00 017

Economic Development

Presented by Governor Jesse Ventura
to the 81st Legislature

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Monday, November 10, 1980
 Alhambra Hills 7:30 - 8:00
 8:00 a.m. - 12:30 p.m.

2000-2005 MINNESOTA STRATEGIC CAPITAL BUDGET PLAN

ECONOMIC DEVELOPMENT

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$$\text{CH}_2=\text{CH}_2 + \text{Cl}_2 \rightarrow \text{ClCH}_2\text{CH}_2\text{Cl}$$

1,2-dichloroethane

Working on 208A
and 211A
Lillian Sisk
Barbara Stambler
Roderic O. Quinn

from 1929 -

MINNESOTA STRATEGIC CAPITAL BUDGET PLAN 2000-2005

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ECONOMIC DEVELOPMENT

Commerce Department
Housing Finance Agency
Minnesota Historical Society

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The 2000-2005 Minnesota Strategic Capital Budget Plan
Executive Summary and ***Requests for Each Agency*** can be
viewed at the Department of Finance's web site at:
<http://www.finance.state.mn.us/cb>

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AGENCY CAPITAL BUDGET REQUEST
Fiscal Years 2000-2005
Dollars in Thousands (\$137,500 = \$138)

Project Title	2000 Agency Priority Ranking	Agency Project Requests for State Funds (\$ by Session)				Statewide Strategic Score	Governor's Recommendation 2000	Governor's Planning Estimate	
		2000	2002	2004	Total			2002	2004
Energy Investment Loan Program	1	\$8,000	\$8,000	\$8,000	\$24,000	400	\$2,500	\$2,500	\$2,500
Total Project Requests		\$8,000	\$8,000	\$8,000	\$24,000		\$2,500	\$2,500	\$2,500

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AGENCY MISSION STATEMENT:

One of the broad areas of responsibility of the Department of Commerce is the development and implementation of effective energy policies within Minnesota. This is carried out through the department's Energy Division. The mission of the Energy Division is to ensure reliable, affordable, and environmentally sound energy supplies for Minnesota now and into the future. The department strives to achieve this mission through programs that:

- protect consumers from unreasonable and unfair rates and practices through intervention and advocacy before the Minnesota Public Utilities Commission (PUC);
- mandate appropriate utility investments in Conservation Improvement Programs (CIP);
- examine future energy supply needs through an Integrated Resource Planning process so that unnecessary power plant construction, with its high economic and environmental costs, is avoided;
- intervene on the state's behalf in energy matters at the federal level. This advocacy role is carried out in coordination with the PUC, the Minnesota Attorney General's Office, the Environmental Quality Board (EQB), and other state agencies;
- enable consumers to use energy wisely by providing unbiased, accurate information on energy use and by providing guidance and technical assistance to all types of consumers;
- assure the state's ability to cope with energy supply/price issues by actively monitoring and maintaining statewide data on energy supplies, demand, price, forecasts, trends, and technology; and
- provide financial assistance through state and federal programs that encourage schools, hospitals, cities, and counties to become more energy efficient.

A central theme in all of these programs is to increase energy efficiency for all the state's energy consumers. In both the 1992 and 1996 *Energy Policy and Conservation Report*, the DOC established a statewide goal of improving the efficiency of our state's energy use by at least 30% by the year 2020, while maintaining comfort and lowering cost.

TRENDS, POLICIES AND OTHER ISSUES AFFECTING THE DEMAND FOR SERVICES, FACILITIES OR CAPITAL PROGRAMS:

Despite improvements in energy efficiency, energy consumption continues to grow in Minnesota. Of particular concern is the rapid growth in demand for electricity and transportation-related petroleum products. Given the environmental costs of using these resources and the political "costs" of obtaining energy from foreign sources, implementing available conservation and renewable energy technologies is very important.

Most public schools, cities, and counties own large, energy-consuming buildings, many of which were built before concern over energy use and cost was an issue. These public facilities, supported by the local taxpayer, are often good candidates for energy conservation retrofit. Investment in energy efficiency in these buildings not only provides better, more comfortable public facilities, it also reduces the cost of operation, improves the environment, and reduces U.S. dependence on foreign energy sources. These buildings are also very visible within their own communities. Often, energy conservation or renewable energy projects within these buildings become models for community residents.

Yet capital to make energy efficiency improvements is difficult for many institutions to secure. There is state and local pressure to keep property taxes low and building referendums are often difficult to pass. Energy efficiency projects compete with life, safety, and accessibility requirements for available funds. Often, maintenance and building repair is one of the first items reduced in the budget. The federal government previously provided some grant funding for energy conservation in schools and hospitals, but that program has been discontinued. Utilities in some areas have also made funds available, but deregulation and competitive issues are making utilities rethink their conservation investment plans.

The Energy Investment Loan Program—Background

The Public School Energy Loan Program was created in 1983. It provided loans to public schools to implement energy efficiency projects that paid for themselves within 10 years. In 1987, this program was expanded to include cities and counties and was renamed the "Energy Investment Loan Program."

The program has been financed through GO bonding authority approved by the legislature. The state sells GO bonds and issues loans to local governments and schools with the proceeds. The source of funds for repayment of these loans is the energy cost savings attributable to the funded project.

The program has not operated since fiscal year 1998 because bonding authority has been exhausted.

PROVIDE A SELF-ASSESSMENT OF THE CONDITION, SUITABILITY AND FUNCTIONALITY OF PRESENT FACILITIES, CAPITAL PROJECTS OR ASSETS:

The condition and suitability of the Department of Commerce office space is not an issue in this request. What is an issue is the condition and energy efficiency of public school and local government facilities throughout the state. Many local government buildings are clearly energy inefficient. They were built during a time when energy use and cost was not a concern. Many have single glazed windows, limited insulation, inefficient heating plants, old lighting technologies, and limited energy control capabilities. Virtually all of these local governments are facing the pressure of shrinking budgets and limited federal and state revenues. Often, building maintenance and retrofit are the first items cut from the tightening budgets. Those local governments with available funds are also faced with mandates for building upgrades in non-energy areas such as health, safety, fire and accessibility for the disabled.

The department sees a significant, ongoing need for financial assistance for energy conservation improvements in these public facilities.

DESCRIBE THE AGENCY'S LONG-RANGE STRATEGIC GOALS AND CAPITAL BUDGET PLAN:

The department's 1992 and 1996 *Energy Policy and Conservation Report* lays out a long-term, strategic goal of improving statewide energy efficiency by at least 30% by the year 2020. The funding requested in this proposal is thoroughly consistent with this long-term goal. We estimate that loans funded by this additional financing capability will be sufficient to achieve an additional .5% to 1% reduction in total statewide energy use by the end of F.Y. 2002. This estimate is based on the department's 1982 *Energy Policy and Conservation Report*, which reported that institutional energy use is approximately 9% of statewide energy use. This is the last year that institutional energy use data was maintained separately.

DOC estimates that the additional bonding authority requested would result in an additional \$4.2 million in annual energy cost savings by the end of the 6-year planning horizon.

AGENCY PROCESS USED TO ARRIVE AT THESE CAPITAL REQUESTS:

This is the only capital budget request being submitted by DOC. The department decided to submit this request after internal discussion on the demand for and effectiveness of the Energy Investment Loan Program.

To arrive at the level of this request, DOC began by analyzing historical program information. DOC assumed continued normal loan volume of approximately 35 loans per year, which is close to the historical average. Anticipating a backlog of program demand in F.Y. 2001 and 2002, the department used above average loan volume figures for those years (44 loans in 2001 and 40 loans in 2002).

While the average loan size throughout the history of the program is approximately \$110,000, we have seen a trend toward larger loans in the last several years. The average loan over the last 5 years has been approximately \$160,000. The DOC believes that average loan size will continue to remain high in the future as we expect to work with larger local governments. Also, we expect that the projects themselves will be larger and more comprehensive. For the purposes of estimating the capital budget needs of this program, the department has assumed the average size of future loans to be approximately \$150,000.

Based on the 2 assumptions for number of loans and average loan size, we projected total monetary loan volumes for each of the next 6 years. We anticipate a future loan volume of \$12.8 million through the end to the next 2-year capital budget period. Of this, we anticipate \$4.8 million to be available through Exxon PVE funds. This creates a need for \$8.0 million in bonding authority to cover the next 2-year bonding cycle. Over the next 6 years, the department estimates \$24 million in bonding authority.

No specific input was solicited from program customers for this specific capital budget request. However, the increasing loan volumes in the years prior to the recent program suspension suggests that there will be a high degree of interest when the program is restarted.

AGENCY CAPITAL BUDGET PROJECTS DURING THE LAST SIX YEARS (1994-1999):

Bonding authority to operate this program was established at \$30 million in 1983. An additional \$4.0 million in bonding authority was approved in both 1994 and 1996. Total bonding authority approved for this program now totals \$38.0 million.

Section 3 pointed out that this program had funded \$51.4 million in total loan projects. Of this total, \$37.9 million has come from GO bond funding and \$13.5 million has come from Exxon PVE funding. To date, 477 loans have funded projects in 193 school districts, 11 counties, and 19 cities.

AGENCY CONTACT PERSON, TITLE, AND PHONE

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Energy Programs, Information and Technologies
Phone: 651-297-2545

2000 STATE APPROPRIATION REQUEST: \$8,000

AGENCY PROJECT PRIORITY: 1 of 1

PROJECT LOCATION: Local governments statewide

PROJECT DESCRIPTION:

The department requests \$8 million for the Energy Investment Loan program to make schools and local governments more energy efficient. Bond proceeds will be used to make low interest loans for energy retrofits. Under the program, schools and local governments pay the debt service on the bonds; thus, the program is completely user-financed.

In 1983, the Minnesota Legislature created the Public School Energy Loan Program. In 1987, this program was expanded to include cities and counties, and its program name was changed to the Energy Investment Loan Program. This innovative program, one of the first in the nation, provided loans to public school districts to implement energy efficiency projects that paid for themselves within 10 years. The original source of capital for these loans was \$30 million in state general obligation (GO) bonds. In both 1994 and in 1996, an additional \$4.0 million in GO bonding authority was approved by the legislature. In this program, the state sells GO bonds and issues loans to local governments with the proceeds. The source of funds for repayment of these loans is the energy cost savings attributable to the funded project. The local governments repay these loans over 10 years and the repayments are used to pay the debt service on the bonds. This innovative program provides energy retrofit capital to local governments at a favorable interest rate and ensures that state GO bonds will be repaid.

The department has expanded the impact of these bond funded loans by combining bond funds with Petroleum Violation Escrow Funds (PVE). PVE funds are moneys resulting from court settlements of petroleum pricing violations that occurred when oil prices were controlled in the late 1970s and early 1980s. Portions of these national settlements were awarded to the states. The states then determine how to use these funds. The largest of these PVE settlements was the Exxon Oil Overcharge settlement. In 1986, Minnesota received \$36 million in Exxon PVE funds. The Governor and legislature identified \$6.85 million to be used to establish a revolving loan program for schools, hospitals, and public buildings. This Exxon revolving loan program was fully integrated with the Energy Investment Loan Program and meets all federal requirements associated with these PVE funds. This revolving loan mechanism began functioning in F.Y. 1989. It accomplishes an interest rate reduction through zero interest principal participation. This combination stretches the use of GO bond funds and provides a lower net interest cost to program customers.

Since the Energy Investment Loan Program began operating in 1984, the Energy Investment Loan Program and the Exxon PVE funds have financed \$51.4 million in

cost-effective energy efficiency projects in public buildings. (See table and graph attachments titled *Energy Investment Loan Program: Program Statistics* for details.) \$37.9 million has come from GO bond funds and \$13.5 million has come from Exxon PVE funds. This program has provided loans to 193 (52%) of the state's 370 plus school districts. Eleven (12.6%) of Minnesota's 87 counties and 19 (2.4%) of Minnesota's over 800 cities have participated in this program.

Previous projects currently yield over \$5 million in energy cost savings per year. DOC examination of actual energy use records of public schools, the major customer of this program, indicates that loan program participants are 7% more efficient in both heating and electrical energy use than non-participants.

Demand for this program grew steadily from \$2.3 million in loans in F.Y. 1992 to \$6.1 million in F.Y. 1995. By May 1995, all bonding authority was exhausted, and all available Exxon PVE funds were obligated, including anticipated loan repayments through December 1995. Because there was no remaining bonding authority, the department suspended program operation in June 1995. An additional \$4.0 million in bonding authority was approved in the 1996 capital budget. This authority was exhausted within 18 months, and basic program operation was suspended throughout most of the F.Y. 1998-99 biennium.

The department sees the Energy Investment Loan Program as an ongoing program that provides greater returns as new cost-effective technologies have emerged. For example, in the past several fiscal years, nearly 40% of loans have financed energy efficient lighting equipment that was not commercially available as recently as 7 years ago.

The uncertainty of imported sources, national Clean Air Act requirements, national Energy Policy Act requirements, and debate about environmental aspects of various energy sources show that the issue of energy use and efficiency is as important today as it was at the beginning of this program.

PROJECT RATIONALE AND RELATIONSHIP TO AGENCY LONG RANGE STRATEGIC PLAN AND CAPITAL PLAN:

The energy efficiency and cost savings that result from providing this loan capital are thoroughly consistent with the strategic goals of the Department. As mentioned before, the department's 1992 and 1996 *Energy Policy and Conservation Report* lays out a long-term, strategic goal of improving statewide energy efficiency by at least 30% by the year 2020. We estimate that loans funded by this additional financing capability will be sufficient to achieve an additional .5% to 1% reduction in total statewide energy use by the end of F.Y. 2002. This estimate is based on the department's 1982 *Energy Policy and Conservation Report*, which reported that institutional energy use is approximately 9% of statewide energy use. This is the last year that institutional energy use data was maintained separately.

DOC estimates that the additional bonding authority requested would result in an additional \$4.2 million in annual energy cost savings by the end of the 6 year planning horizon.

IMPACT ON AGENCY OPERATING BUDGET:

There will be no impact on the operating budget of the Department of Commerce. However, there will be a positive impact of reduced utility costs for all of the local governments that participate in this program.

OTHER CONSIDERATIONS:

100% User Financed: All bonds sold for this program are repaid from the local government loan repayments. Money to repay these loans is generated from the energy cost savings resulting from the funded project. Bond sale costs are also added to the local government loan repayment schedule.

Never a loan default: The department designed the Energy Investment Loan Program to serve a variety of energy retrofit needs and to fully protect the interests of the state bond holders in the event of unusual circumstances. This protection is built into our rules, applications, and contracts. All loan applications contain assurances that the building will continue to be operated and maintained by the district in the future. The application must include an irrevocable repayment resolution, passed by the school board. This resolution makes sure that the debt assumed by the school under this loan obligation is made with appropriate opportunity for citizen access. Finally, our contracts state that the loan can be made due and payable if the building is closed or sold.

Predominantly Public Schools: Most of the program participants are public schools. Public schools account for 86% of the institutions assisted and 96% of the total loan financing approved by this program (See attachments Energy Investment Loan Program: Program Statistics).

Public School Consolidation: There is a tremendous transition in public schools primarily related to building closures and district consolidation. The Energy Investment Loan Program has been useful for districts facing these consolidation decisions. For example, we have provided them with information about building energy use and the potential cost of energy efficient renovation. Our contracts provide protection to the state by ensuring that all debt obligation associated with the program is either transferred or paid-off when the building has a new owner. While DOC has no formal mechanism to coordinate these loan applications with the Department of Children, Families and Learning master plan for district consolidation, we have designed the program with adequate protection and flexibility for the consolidation process.

Expansion Into Renewable Energy: Most of the projects financed through this program have been energy efficiency project. However, in 1996 we used an Energy Investment Loan along with federal funds to finance the first public school wind turbine in the state at Lac Qui Parle High School.

Energy Investment Loan Program: Program Statistics

Fiscal Year	# of Loans		Historical		Projected		Total	Average	Average
	Historical	Projected	Bond	Exxon	Bond	Exxon	Loan Amount Approved	Loan Amt. Historical	Loan Amt. Projected
1984	34		\$ 3,754,118				\$ 3,754,118	\$ 110,415	
1985	67		\$ 7,663,654				\$ 7,663,654	\$ 114,383	
1986	46		\$ 5,828,005				\$ 5,828,005	\$ 126,696	
1987	25		\$ 1,384,785				\$ 1,384,785	\$ 55,391	
1988	18		\$ 850,757	\$ 503,083			\$ 1,353,840	\$ 75,213	
1989	32		\$ 976,690	\$ 828,684			\$ 1,805,374	\$ 56,418	
1990	29		\$ 879,002	\$ 681,494			\$ 1,560,496	\$ 53,810	
1991	36		\$ 1,146,907	\$ 940,148			\$ 2,087,055	\$ 57,974	
1992	28		\$ 1,205,540	\$ 1,107,450			\$ 2,312,990	\$ 82,607	
1993	30		\$ 2,459,592	\$ 2,249,007			\$ 4,708,599	\$ 156,953	
1994	28		\$ 3,010,135	\$ 1,804,530			\$ 4,814,665	\$ 171,952	
1995	40		\$ 4,015,799	\$ 2,164,416			\$ 6,180,215	\$ 154,505	
1996	3		\$ 519,891	\$ 407,452			\$ 927,343	\$ 309,114	
1997	41		\$ 3,475,995	\$ 2,123,404			\$ 5,599,399	\$ 136,571	
1998	10		\$ 607,209	\$ 607,201			\$ 1,214,410	\$ 121,441	
1999	3		\$ 115,646	\$ 115,646			\$ 231,292	\$ 77,097	
2000		2			\$ 106,275	\$ 106,275	\$ 212,550		\$ 106,275
2001		44			\$ 3,400,000	\$ 3,300,000	\$ 6,700,000		\$ 152,273
2002		40			\$ 4,600,000	\$ 1,500,000	\$ 6,100,000		\$ 152,500
2003		35			\$ 4,000,000	\$ 1,300,000	\$ 5,300,000		\$ 151,429
2004		35			\$ 4,000,000	\$ 1,300,000	\$ 5,300,000		\$ 151,429
2005		35			\$ 4,000,000	\$ 1,300,000	\$ 5,300,000		\$ 151,429
2006		35			\$ 4,000,000	\$ 1,300,000	\$ 5,300,000		
	470	156	\$ 37,893,725	\$ 13,532,515	\$ 24,106,275	\$ 10,106,275	\$ 85,638,790	\$ 109,418	

AGENCY CONTACT PERSON, TITLE, AND PHONE

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Commerce, Department of
Energy Investment Loan Program

AGENCY CAPITAL BUDGET REQUEST
Fiscal Years 2000-2005
Dollars in Thousands (\$137,500 = \$138)

Project Cost

TOTAL PROJECT COSTS All Years and All Funding Sources	Project Costs All Prior Years	Project Costs FY 2000-01	Project Costs FY 2002-03	Project Costs FY 2004-05	Project Costs All Years	Project Start (Month/Year)	Project Finish (Month/Year)
1. Property Acquisition							
Land, Land and Easements, Options	\$0	\$0	\$0	\$0	\$0		
Buildings and Land	0	0	0	0	0		
SUBTOTAL	0	0	0	0	0		
2. Predesign							
SUBTOTAL	0	0	0	0	0		
3. Design Fees							
Schematic	0	0	0	0	0		
Design Development	0	0	0	0	0		
Contract Documents	0	0	0	0	0		
Construction Administration	0	0	0	0	0		
SUBTOTAL	0	0	0	0	0		
4. Project Management							
State Staff Project Management	0	0	0	0	0		
Construction Management	0	0	0	0	0		
SUBTOTAL	0	0	0	0	0		
5. Construction Costs							
Site & Building Preparation	0	0	0	0	0		
Demolition/Decommissioning	0	0	0	0	0		
Construction	0	0	0	0	0		
Infrastructure/Roads/Utilities	0	0	0	0	0		
Hazardous Material Abatement	0	0	0	0	0		
Construction Contingency	0	0	0	0	0		
SUBTOTAL	0	0	0	0	0		
6. Art							
SUBTOTAL	0	0	0	0	0		
7. Occupancy							
Furniture, Fixtures and Equipment	0	0	0	0	0		
Telecommunications (voice & data)	0	0	0	0	0		
Security Equipment	0	0	0	0	0		
Commissioning	0	0	0	0	0		
SUBTOTAL	0	0	0	0	0		
8. Inflation							
Midpoint of Construction							
Inflation Multiplier		0.00%	0.00%	0.00%			
Inflation Cost		0	0	0	0		
SUBTOTAL		0	0	0	0		
9. Other							
SUBTOTAL	51,700	12,800	10,600	10,600	85,700	07/2000	10/2003
GRAND TOTAL	\$51,700	\$12,800	\$10,600	\$10,600	\$85,700		

CAPITAL FUNDING SOURCES	Prior Years	FY 2000-01	FY 2002-03	FY 2004-05	TOTAL
State Funds :					
G.O Bonds/State Bldgs	38,000	8,000	8,000	8,000	62,000
State Funds Subtotal	38,000	8,000	8,000	8,000	62,000
Agency Operating Budget Funds	0	0	0	0	0
Federal Funds	0	0	0	0	0
Local Government Funds	0	0	0	0	0
Private Funds	0	0	0	0	0
Other	13,700	4,800	2,600	2,600	23,700
TOTAL	51,700	12,800	10,600	10,600	85,700

IMPACT ON STATE OPERATING COSTS	Current FY 2000-01	Projected Costs (Without Inflation)			
		FY 2000-01	FY 2002-03	FY 2004-05	FY 2006-07
Compensation -- Program and Building Operation	0	0	0	0	0
Other Program Related Expenses	0	0	0	0	0
Building Operating Expenses	0	0	0	0	0
State-Owned Lease Expenses	0	0	0	0	0
Nonstate-Owned Lease Expenses	0	0	0	0	0
Other Expenses	0	0	0	0	0
Expenditure Subtotal	0	0	0	0	0
Revenue Offsets	0	0	0	0	0
TOTAL	0	0	0	0	0
Change from Current FY 2000-01		0	0	0	0
Change in F.T.E. Personnel		0.0	0.0	0.0	0.0

PREVIOUS STATE CAPITAL APPROPRIATIONS FOR THIS PROJECT (Legal Citations)	Amount
Laws of Minnesota (year), Chapter, Section, Subdivision	
1996, Chapter 643, Section 23	4,000
1994, Chapter 643, Section 20	4,000
1993, Chapter 323, Section 5	30,000

SOURCE OF FUNDS FOR DEBT SERVICE PAYMENTS (for bond-financed projects)	Amount	Percent of Total
General Fund	0	0.0%
User Financing	8,000	100.0%

STATUTORY AND OTHER REQUIREMENTS	
Project applicants should be aware that the following requirements will apply to their projects after adoption of the bonding bill.	
No	MS 16B.335 (1a): Construction/Major Remodeling Review (Legislature)
Yes	MS 16B.335 (1b): Project Exempt From This Review (Legislature)
No	MS 16B.335 (2): Other Projects (Legislative Notification)
No	MS 16B.335 (3): Predesign Requirement (Administration Dept)
No	MS 16B.335 (4): Energy Conservation Requirements (Agency)
No	MS 16B.335 (5): Information Technology Review (Office of Technology)
No	MS 16A.695: Use Agreement Required (Finance Dept)
No	MS 16A.695: Program Funding Review Required (Agency)
No	Matching Funds Required (as per agency request)

Department of Administration Analysis:

12/7/99

NA

Department of Finance Analysis:

This request restarts an energy efficiency program that began in 1984. It would provide schools and local government with energy retrofit capital at a favorable interest rate. The participating entities repay the loans over a ten-year period using funds that would have otherwise gone to energy bills. Thus, this capital request is completely user-financed.

Reduced energy costs, beyond the payback period, allow schools and local governments to spend money on other services. Reducing energy usage also benefits the environment and reduces the need for costly increases in energy capacity.

The Department of Commerce is charged with developing and implementing effective energy policies. This request allows the department to fulfill its mission in this area.

This project is a form of local aid and has statewide significance due to the environmental and energy benefits.

Governor's Recommendation:

The Governor recommends a partial appropriation of \$2.5 million for energy improvement projects at schools and local government. This appropriation is from General Obligation bonding, to be repaid by the participating entities.

Also included are budget planning estimates of \$2.5 million in 2002 and 2004.

STATEWIDE STRATEGIC SCORE		
Criteria	Values	Points
Critical Life Safety Emergency - Existing Hazards	0/700	0
Critical Legal Liability - Existing Liability	0/700	0
Prior Binding Commitment	0/700	0
Strategic Linkage - Agency Six Year Plan	0/40/80/120	80
Safety/Code Concerns	0/35/70/105	0
Customer Service/Statewide Significance	0/35/70/105	70
Agency Priority	0/25/50/75/100	100
User and Non-State Financing	0-100	100
State Asset Management	0/20/40/60	0
State Operating Savings or Operating Efficiencies	0/20/40/60	0
Contained in State Six-Year Planning Estimates	0/25/50	50
Total	700 Maximum	400

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AGENCY CAPITAL BUDGET REQUEST
Fiscal Years 2000-2005
Dollars in Thousands (\$137,500 = \$138)

Project Title	2000 Agency Priority Ranking	Agency Project Requests for State Funds (\$ by Session)				Statewide Strategic Score	Governor's Recommendation 2000	Governor's Planning Estimate	
		2000	2002	2004	Total			2002	2004
Publicly Owned Transitional Housing Loans	1	\$2,500	\$3,500	\$3,500	\$9,500	470	\$2,000	\$2,000	\$2,000
Total Project Requests		\$2,500	\$3,500	\$3,500	\$9,500		\$2,000	\$2,000	\$2,000

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AGENCY MISSION STATEMENT:

The Minnesota Housing Finance Agency is committed to meeting Minnesotans needs for decent, safe, affordable homes and stronger communities.

The agency has 2 broad policy objectives for all of its programs: 1) meeting Minnesotans basic housing needs and 2) strengthening communities. To achieve these policy objectives, the Agency directly and through lenders, community action programs, and local units of government provides financial assistance in the form of loans, deferred loans, and grants; provides technical and financial assistance to build housing capacity and to preserve affordable housing financed by the Agency; and administers substantial federal monies in the form of Section 8 and Section 236 housing assistance payments.

TRENDS, POLICIES, AND OTHER ISSUES AFFECTING THE DEMAND FOR SERVICES, FACILITIES OR CAPITAL PROGRAMS:

The need for both emergency and transitional shelter facilities serving homeless persons continues. Between May 1998 and May, 1999, there was a 2.7% increase in the number of persons sheltered in shelter facilities and other temporary housing. *Office of Economic Opportunity -Department of Children, Families and Learning, Quarterly Shelter Survey, May, 1999.* Children and unaccompanied youth were 47% of all of the persons sheltered in Minnesota on the date of the May, 1999 survey.

Transitional housing shelters the largest number of persons on average of all shelter facilities: approximately 48% of the total reported sheltered. *CFL, Quarterly Shelter Survey, May, 1999*

Turn-aways from shelter facilities continue to increase. On 5/27/99, the day of the CFL Quarterly Shelter Survey, 962 persons were reported to have been turned away. Many of those turned away are on waiting lists for transitional housing programs. 40% of those turned away were children and youth.

The demand for emergency and transitional housing is not unexpected in light of the steady rise in the number of homeless persons in Minnesota. Between 1991 and 1997, the number of homeless persons and persons at risk of homelessness nearly doubled. There was a 240% increase in the number of single women with children who were homeless between 1991 and 1997. *Wilder Research Center, Minnesota Statewide Survey of Persons Without Permanent Shelter, June, 1998.*

MHFA's transitional housing programs are an integral component of the MHFA's efforts to meet its policy objective of meeting Minnesotans basic housing needs. The state is addressing the problem of homelessness by assisting in the establishment of a coordinated and comprehensive system of services for homeless and imminently

homeless families, individuals, and youth throughout the state, based on HUD's Continuum of Care system. Under a continuum of care system, all the elements of outreach, intake, and assessment, emergency shelter, transitional housing, and permanent housing -- including supportive housing -- would be available and coordinated within a community. The Minnesota Interagency Task Force on Homelessness, a group composed of representatives of all state agencies with responsibility for homelessness programs, has established a process for the development of regional Continuum of Care plans throughout the state. The goal is to ensure that all the components of the continuum of care are accessible to people everywhere in the state.

A 1998 U.S. Dept. of Housing and Urban Development Report to Congress, "Rental Housing Assistance -- The Crisis Continues" indicates that just in the Twin Cities metro area, 38,000 additional units of affordable housing are needed. The cost of developing new rental housing continues to far outstrip wage levels in lower paying and medium paying jobs. The gap between what it cost to develop a modest rental development and the rent a worker in a low paying industry can afford to pay is about \$30 thousand per unit. Given the significant need for additional affordable rental housing units and the limited resources available, it is expected that incidents of homelessness will not dramatically decrease in the near future and the need for transitional housing will continue.

Transitional housing provides supportive services as well as shelter. Transitional housing can be useful in moving families on welfare to economic self-sufficiency when the family is in need of supportive services. As the 5-year life-time limit draws near for a number of families on welfare, the provision of necessary supports for these families becomes more critical.

PROVIDE A SELF ASSESSMENT OF THE CONDITION, SUITABILITY AND FUNCTIONALITY OF PRESENT FACILITIES, CAPITAL PROJECTS OR ASSETS:

Funds for the transitional housing program have been included in the last 5 capital bonding legislative sessions. All of the funds appropriated through 1996 have been committed to a total of 40 projects, providing 212 units of emergency or transitional housing. More than three-fourths of the \$4 million appropriated for transitional housing in the 1998 capital bonding bill was committed by May, 1999. Demand for funds for transitional and emergency shelters continues to be strong.

DESCRIBE THE AGENCY'S LONG RANGE STRATEGIC GOALS AND CAPITAL BUDGET PLAN:

The agency has 2 broad policy objectives for all its programs: meeting Minnesota's basic housing needs and strengthening communities. With respect to addressing the problem of homelessness, the long range goal is that all the components of the continuum of care are accessible to people throughout the state. The strategy is to

work to fill the gaps in the continuum of care.

The agency's plan is to increase the number of temporary housing facilities in regions of the state where there are inadequate services.

AGENCY PROCESS USED TO ARRIVE AT THESE CAPITAL REQUESTS:

The agency has participated in several processes that all lead to this capital request.

The agency chairs the State Interagency Task Force on Homelessness which is designed to coordinate state homeless programs, provide information to public and private providers of services and housing around the state, and jointly administer the Family Homeless Prevention and Assistance Program.

The U.S. Department of Housing and Urban Development requires the state to engage in a Continuum of Care planning process as part of the funding process for homeless programs. Development of Continuum of Care plans involves the participation of various interest groups and individuals in the community or region. The Interagency Task Force on Homeless supports the regional Continuum of Care planning in Greater Minnesota by assigning members of the Task Force to work with the Continuum of Care planning committees in each region. The Task Force also provides resources to pay staff in the regions to complete the Continuum of Care plans and sponsored training sessions to provide technical assistance for regional staff.

The Continuum of Care plan assigns relative priority to the different components of the continuum. The most recent regional plans assigned the following priority ranking for transitional housing for families with children: Southeast Minnesota – high priority; Southwest Minnesota – high priority; Central Minnesota – high priority; Northwest Minnesota – high priority; West Central Minnesota – medium priority; Northeast Minnesota – high priority.

During the summer and fall of 1998, the Agency participated in a series of Rural Development Conversations, sponsored in part by the University of Minnesota Rural Partners, USDA, and Minnesota Extension Service and various local organizations. The Conversations were designed as an opportunity for rural communities to share their vision for the future of rural Minnesota. The information gathered at the Conversations is included in the 1999 Consolidated Housing and Community Development Plan. This plan serves as a state planning document for housing and community development issues. The lack of affordable housing of all types was frequently mentioned as a major issue in rural Minnesota.

AGENCY CAPITAL PROJECTS DURING THE LAST SIX YEARS (1994-1999):

\$9 million has been appropriated for publicly owned transitional housing, battered women's residences, and transitional housing since 1994. \$4 million of this amount was appropriated in 1998 from the general fund.

This program has funded projects throughout the state. Among the locations of publicly owned transitional housing projects the Agency has funded are: Aitkin, Austin, Backus, Bemidji, Blackduck, Blaine, Bloomington, Brooklyn Park, Caledonia, Chaska, Duluth, Eagan, Fridley, Jordan, La Prairie, Mankato, Maplewood, Minneapolis, Oakdale, Park Rapids, Prior Lake, Red Wing, Rochester, Shakopee, St. Louis Park, St. Cloud, White Bear Lake, and Virginia. 405 units of publicly owned transitional housing or temporary housing have been or are being developed or rehabbed with the funds made available since 1990.

AGENCY CONTACT PERSON, TITLE, AND PHONE

Robert Odman, Director
Multifamily Division, 296-9821

2000 STATE APPROPRIATION REQUEST: \$2,500

AGENCY PROJECT PRIORITY: 1 of 1

PROJECT LOCATION: Statewide

PROJECT DESCRIPTION: Publicly Owned Transitional Housing

The Publicly Owned Transitional Housing Program provides deferred loans to local units of government for the development, construction, acquisition, improvement, or rehabilitation of housing properties to be used as emergency or transitional housing for low or moderate income persons. Historically, a large percentage of the population served by projects under this program are battered women and their children. Emergency shelters provide very short-term housing (usually less than 30 days). Transitional housing is housing provided for a limited duration not exceeding 24 months and available for occupancy on a continuous 24-hour basis.

Local units of government are eligible to receive program assistance and must own and manage the property or contract with a service provider to operate the transitional housing program for a minimum of 20 years. After 20 years, the loan is deemed paid in full and all restrictions regarding the ownership and operation of the property cease. The property may be sold for fair market value prior to the expiration of the 20 year period, provided that the mortgagor repays the lesser of the net proceeds of the sale or the amount of the loan balance. The local government unit may use the property for a different purpose prior to the end of the 20-year period, if the amount of the original loan is repaid.

For projects using funds for acquisition only, funds are disbursed at closing. For projects involving rehabilitation or construction, funds are disbursed when all work has been completed.

The 1998 Capital bonding bill appropriated \$4 million in general fund monies, rather than general obligation bond proceeds for transitional housing. These funds have been committed to transitional housing projects. The general fund appropriation has proven to be easier to use than the G.O. bond proceeds for several reasons. In many cases, a non-profit organization is the driving force behind a transitional housing project, but must find a local unit of government to be the owner of the property if only G.O. bond proceeds are available. Many local units of government are reluctant to take on ownership of housing, either because they have no experience owning housing or because they have concerns about their liability. M.S. §462A.202 and M. S. §16A.695 impose certain restrictions on the sale of property financed by G.O. bonds. In many cases, where a non-profit is going to operate the housing, the non-profit has raised substantial sums towards the capital costs of the transitional or temporary housing. The sale provisions of the laws are a disincentive for non-profits to raise significant capital costs from private sources. Leveraging of other resources

is greater on projects funded with general fund monies. For example, the \$4 million general fund monies from the 1998 capitol bonding bill has leveraged \$8,372,856 in private, federal, and local funds; in comparison, \$7.5 million in G.O. bonds, leveraged \$6,762,000 in private, local, and federal funds. Finally, the public ownership requirements simply complicate the legal documents required to make a grant for transitional housing. The MHFA would prefer that this activity continue to be funded from general fund appropriations.

OTHER CONSIDERATIONS

The Publicly Owned Transitional Housing program is an integral part of how the Agency achieves 3 of its strategic goals. These strategic goals have been approved by the agency's board and are as follows: 1) our work to produce and preserve affordable homes recognizes that housing is an integral part of the human, social and economic fabric of our communities; 2) our investment in housing reflects our responsibility to underserved people; and 3) we achieve our mission in partnership with others through funding, training, technical assistance, education, advocacy, innovation and communication.

Transitional and emergency housing are elements of a continuum of basic housing needs in Minnesota. Transitional housing is designed to assist homeless persons in addressing their needs with the goal of assisting in the movement beyond emergency shelter to more stable, long term affordable housing. Additionally, transitional housing seeks to aid people in reintegrating into their communities through the development of needed skills and the utilization of existing community resources. The Publicly Owned Transitional Housing program has also helped stabilize neighborhoods by using resources to rehabilitate blighted properties. Transitional housing serves battered women, children, persons with disabilities and other special populations. Most of the projects funded under this program combine funding from a variety of sources to complete the project. To date, for every \$1 of Publicly Owned Transitional Housing program monies invested, more than \$2 of federal, local or private funds have been invested in the projects. Many of the Publicly Owned Transitional Housing projects are a partnership between the local jurisdiction which owns the property and a non-profit organization which operates the program. The Agency is able to facilitate these partnerships by providing needed funding to make the development a reality.

Despite a 7% increase in the number of temporary housing units (emergency and battered women's shelters) between 1994 and 1997, there continues to be a need for temporary housing and services to address homelessness. The Wilder Research Center found that between 1994 and 1997, the number of homeless persons increased by 24%. Women and children are the fastest growing segment of the homeless population. The 1997 Wilder Research Center's *Minnesota Statewide Survey of Persons Without Permanent Shelter* found that 61% of the women in temporary housing had at least 1 child. The majority of children residing in temporary housing lived in transitional housing (67%). Between 1985 and 1997,

there has been a 881% increase in the number of children experiencing homelessness in the Twin Cities metropolitan area and a 307% increase in Greater Minnesota. Forty-seven percent of the individuals sheltered in temporary accommodations and surveyed in May, 1999 as part of the Department of Children, Families and Learning Quarterly Shelter Survey were children or unaccompanied youth.

19% of the women surveyed for the Wilder Research Center Survey reported that they were homeless due to the need to flee an abusive partner. Battered women's shelters are virtually always full.

Data from the Wilder survey supports findings from other sources that many jobs pay wages that are simply insufficient to meet the costs of available housing. Thirty-four percent of the homeless surveyed were employed; up from 26% in the 1994 survey. Eight percent of those had full time employment. Thirty-eight percent report having no more than one barrier to employment. The lack of affordable child care and substance abuse are the two most frequently cited barriers to employment among the homeless people surveyed. Transitional housing can help those with limited barriers to employment become self-sufficient.

In its May, 1999 Quarterly Shelter Survey, the Department of Children, Families, and Learning reports the highest number ever of persons requesting shelter who were turned away due to lack of capacity; nearly double the number reported turned away in May, 1998.

Funding for the program will be available statewide. Individual projects will have regional significance. Individual projects will be funded consistent with the regional Continuum of Care plans developed by regional committees and with the recommendations of the Interagency Task Force on Homelessness. Projects funded with this request will vary in size, location and construction type (new construction or rehabilitation) depending on regional needs and priorities.

The program addresses life safety concerns. Projects serving battered women and their children provide a haven from further abuse. Sixty-five percent of the persons surveyed for the Wilder Research Center Survey who are in temporary housing in the metro area and 72.1% of those in Greater Minnesota reported that within the last 2 years they had stayed in an abusive situation because they had no housing options. Projects serving unaccompanied youth provide minors safety from the streets. Without emergency shelters and transitional housing facilities, many homeless persons would have a high risk of being victims of crimes. Twenty-seven percent of persons surveyed for the Wilder Research Center Survey who were in temporary housing in the metro area and 19.4% of those surveyed in Greater Minnesota had been physically attacked or beaten while without a regular place to stay. Lack of shelter often results in increased medical needs. Seventeen percent of persons surveyed for the Wilder Research Center Survey who were in the metro area and 13.8% of those in Greater Minnesota sought health care in the last 12 months

because of illness or injury due to violence.

Transitional housing has shown to provide significant long-term benefits for participants. Twelve (12) months after leaving transitional housing, 2/3 of the parents reported that their children had not changed schools. *Minnesota Transitional Housing, Outcome Study*, Department of Children, Families & Learning, April 1999, prepared by Wilder Research Center. At the time of the 12 month follow-up, over half of the participants in transitional housing were living in the same housing as when they left transitional housing. *Minnesota Transitional Housing Outcome Study*. Two-thirds of the participants reported that their income had increased since leaving transitional housing and only 10% reported a decrease in earned income. *Minnesota Transitional Housing, Outcome Study*. Participants in transitional housing reported gaining several skills or knowledge while in transitional housing which are helpful afterwards, including that they learned to take care of themselves, gained self-esteem, and learned budgeting skills.

Funding of this request will result in the development of about 70-120 units of transitional housing.

IMPACT ON AGENCY OPERATING BUDGETS:

Additional funding for this program will have no impact on the Agency's operating budget. This program funds the capital costs of temporary housing; the ongoing operating costs are provided from other sources, including residents' contributions, and federal, state, and local funds.

PROJECT CONTACT:

Bob Odman, Director of Multifamily,
MHFA 296-9821
Fax: 296-9545
Email: Robert.Odman@marge.mhfa.state.mn.us

Housing Finance Agency
Publicly Owned Transitional Housing Loans

AGENCY CAPITAL BUDGET REQUEST
Fiscal Years 2000-2005
Dollars in Thousands (\$137,500 = \$138)

Project Cost

TOTAL PROJECT COSTS All Years and All Funding Sources		Project Costs All Prior Years	Project Costs FY 2000-01	Project Costs FY 2002-03	Project Costs FY 2004-05	Project Costs All Years	Project Start (Month/Year)	Project Finish (Month/Year)
1. Property Acquisition								
Land, Land and Easements, Options		\$0	\$0	\$0	\$0	\$0		
Buildings and Land		0	0	0	0	0		
	SUBTOTAL	0	0	0	0	0		
2. Predesign								
	SUBTOTAL	0	0	0	0	0		
3. Design Fees								
Schematic		0	0	0	0	0		
Design Development		0	0	0	0	0		
Contract Documents		0	0	0	0	0		
Construction Administration		0	0	0	0	0		
	SUBTOTAL	0	0	0	0	0		
4. Project Management								
State Staff Project Management		0	0	0	0	0		
Construction Management		0	0	0	0	0		
	SUBTOTAL	0	0	0	0	0		
5. Construction Costs								
Site & Building Preparation		0	0	0	0	0		
Demolition/Decommissioning		0	0	0	0	0		
Construction		0	0	0	0	0		
Infrastructure/Roads/Utilities		0	0	0	0	0		
Hazardous Material Abatement		0	0	0	0	0		
Construction Contingency		0	0	0	0	0		
	SUBTOTAL	0	0	0	0	0		
6. Art								
	SUBTOTAL	0	0	0	0	0		
7. Occupancy								
Furniture, Fixtures and Equipment		0	0	0	0	0		
Telecommunications (voice & data)		0	0	0	0	0		
Security Equipment		0	0	0	0	0		
Commissioning		0	0	0	0	0		
	SUBTOTAL	0	0	0	0	0		
8. Inflation								
Midpoint of Construction								
Inflation Multiplier			0.00%	0.00%	0.00%			
Inflation Cost			0	0	0	0		
	SUBTOTAL		0	0	0	0		
9. Other								
	SUBTOTAL	26,634	5,790	8,105	8,105	48,634	11/2000	06/2003
GRAND TOTAL		\$26,634	\$5,790	\$8,105	\$8,105	\$48,634		

CAPITAL FUNDING SOURCES	Prior Years	FY 2000-01	FY 2002-03	FY 2004-05	TOTAL
State Funds :					
G.O Bonds/State Bldgs	11,500	2,500	3,500	3,500	21,000
State Funds Subtotal	11,500	2,500	3,500	3,500	21,000
Agency Operating Budget Funds	0	0	0	0	0
Federal Funds	3,086	671	939	939	5,635
Local Government Funds	5,951	1,294	1,811	1,811	10,867
Private Funds	6,097	1,325	1,855	1,855	11,132
Other	0	0	0	0	0
TOTAL	26,634	5,790	8,105	8,105	48,634

IMPACT ON STATE OPERATING COSTS	Current FY 2000-01	Projected Costs (Without Inflation)			
		FY 2000-01	FY 2002-03	FY 2004-05	FY 2006-07
Compensation -- Program and Building Operation	0	0	0	0	0
Other Program Related Expenses	0	0	0	0	0
Building Operating Expenses	0	0	0	0	0
State-Owned Lease Expenses	0	0	0	0	0
Nonstate-Owned Lease Expenses	0	0	0	0	0
Expenditure Subtotal	0	0	0	0	0
Revenue Offsets	0	0	0	0	0
TOTAL	0	0	0	0	0
Change from Current FY 2000-01		0	0	0	0
Change in F.T.E. Personnel		0.0	0.0	0.0	0.0

PREVIOUS STATE CAPITAL APPROPRIATIONS FOR THIS PROJECT (Legal Citations)	Amount
Laws of Minnesota (year), Chapter, Section, Subdivision	
Laws 1998, Chapter 404, Section 24 (NB: Genl fund approp-not GO Bonds)	4,000
Laws 1996, Chapter 463, Section 20	2,500
Laws 1994, Chapter 643, Section 16	2,500
Laws 1992, Chapter 558, Section 11	1,000
Laws 1990, Chapter 610, Article 1, Section 26	1,500

SOURCE OF FUNDS FOR DEBT SERVICE PAYMENTS (for bond-financed projects)	Amount	Percent of Total
General Fund	2,500	100.0%
User Financing	0	0.0%

STATUTORY AND OTHER REQUIREMENTS	
Project applicants should be aware that the following requirements will apply to their projects after adoption of the bonding bill.	
No	MS 16B.335 (1a): Construction/Major Remodeling Review (Legislature)
Yes	MS 16B.335 (1b): Project Exempt From This Review (Legislature)
No	MS 16B.335 (2): Other Projects (Legislative Notification)
No	MS 16B.335 (3): Predesign Requirement (Administration Dept)
No	MS 16B.335 (4): Energy Conservation Requirements (Agency)
No	MS 16B.335 (5): Information Technology Review (Office of Technology)
No	MS 16A.695: Use Agreement Required (Finance Dept)
No	MS 16A.695: Program Funding Review Required (Agency)
Yes	Matching Funds Required (as per agency request)

Department of Administration Analysis:

12/7/99

NA

Department of Finance Analysis:

The Legislature appropriated \$2 million per year to the Department of Children, Families, and Learning for the operation of transitional housing facilities, an increase of \$345 thousand per year. The MHFA also is appropriated \$550 thousand per year for construction of projects that aren't publicly owned.

Governor's Recommendation:

The Governor recommends a partial appropriation of \$2 million for the development and construction of transitional housing facilities throughout Minnesota. This appropriation is from general obligation bonding. Also included are budget planning estimates of \$2 million in 2002 and 2004.

STATEWIDE STRATEGIC SCORE		
Criteria	Values	Points
Critical Life Safety Emergency - Existing Hazards	0/700	0
Critical Legal Liability - Existing Liability	0/700	0
Prior Binding Commitment	0/700	0
Strategic Linkage - Agency Six Year Plan	0/40/80/120	120
Safety/Code Concerns	0/35/70/105	70
Customer Service/Statewide Significance	0/35/70/105	70
Agency Priority	0/25/50/75/100	100
User and Non-State Financing	0-100	60
State Asset Management	0/20/40/60	0
State Operating Savings or Operating Efficiencies	0/20/40/60	0
Contained in State Six-Year Planning Estimates	0/25/50	50
Total	700 Maximum	470

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AGENCY CAPITAL BUDGET REQUEST
Fiscal Years 2000-2005
Dollars in Thousands (\$137,500 = \$138)

Project Title	2000 Agency Priority Ranking	Agency Project Requests for State Funds (\$ by Session)				Statewide Strategic Score	Governor's Recommendation 2000	Governor's Planning Estimate	
		2000	2002	2004	Total			2002	2004
Historic Sites Network - Asset Preservation	1	\$1,750	\$3,025	\$2,100	\$6,875	415	\$1,750	\$1,750	\$1,750
St. Anthony Falls Heritage Center Completion	2	3,750	0	0	3,750	274	0	0	0
North West Company Fur Post Development	3	600	0	0	600	256	0	0	0
County and Local Historic Preservation Grants	4	500	2,000	2,000	4,500	400	0	0	0
State Capitol Furnishings Restoration	5	250	150	150	550	185	250	150	150
Historic Fort Snelling Site Improvements		0	5,076	0	5,076		0	0	0
History Center Space Expansion		0	2,000	0	2,000		0	0	0
Oliver Kelley Farm Maintenance Building		0	429	0	429		0	0	0
Heritage Trails		0	317	229	546		0	0	0
St. Anthony Falls Heritage Zone Implementation		0	2,000	2,000	4,000		0	0	0
Sibley Historic Site Preservation and Repair		0	500	500	1,000		0	0	0
History Center Parking Ramp		0	0	1,000	1,000		0	0	0
Historic Sites Network Master Plan		0	500	0	500		0	0	0
Total Project Requests		\$6,850	\$15,997	\$7,979	\$30,826		\$2,000	\$1,900	\$1,900

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AGENCY MISSION STATEMENT: The Minnesota Historical Society (MHS) is the oldest educational/cultural institution in the state, having been chartered by the first legislature of the Minnesota Territory in 1849.

The mission of the Minnesota Historical Society is to foster among people an awareness of Minnesota history so that they may draw strength and perspective from the past and find purpose for the future.

This mission is carried out by providing opportunities for people of all ages to learn about the history of Minnesota; collecting and caring for materials that document human life in Minnesota, making them known and accessible to people in Minnesota and beyond; and encouraging and doing research in Minnesota history.

The Minnesota Historical Society is governed by an executive council of 30 members responsible for establishing major policies and monitoring the quality of its programs and services. The council also performs duties mandated by the legislature under M.S. Chapter 138 and various session laws.

TRENDS, POLICIES AND OTHER ISSUES AFFECTING THE DEMAND FOR SERVICES, FACILITIES OR CAPITAL PROGRAMS:

- **Asset Preservation.** Historic resources are like natural resources in that if lost they cannot be replaced. Absent a carefully planned capital investment strategy, Minnesota's historic resources will not survive to be enjoyed by future generations. The Society's 32 historic sites include land, trails, buildings, infrastructure, and exhibits; they are textbook examples of the problems associated with the "capital iceberg" of unmet facilities needs. The factors contributing to the iceberg are magnified in the sites network, not only because of age, but because of the long-term environmental effects on construction materials and techniques used at the time these structures were built.

Historic sites are recognized by statute as important public resources worth preserving. The "Minnesota Historic Sites Act" (M.S. 138.661-138.669), confers upon the Minnesota Historical Society the control and responsibility for preserving, developing, interpreting and maintaining the sites for public use and benefit.

- **Public Demand and Attendance.** The state historic sites network is in its third decade of heavy use by patrons. Since the early 1980s when the Society's budget was reduced by more than \$2.1 million as a result of a downturn in state resources, the upkeep and repair of the 115 structures at the 32 state historic sites have suffered. Recent operating budget appropriations for repair & replacement have helped with facilities needs, but the historic sites network still

has unmet needs. Limited financial resources have forced the deferral of important restoration activities. Heavy public use (averaging over 600 thousand visitors for the past few years) coupled with ongoing environmental factors have created visible and substantive wear and tear on the structures within the state historic sites system. Renewed marketing efforts have helped with overall historic sites attendance (the most recent fiscal year showed a 7% increase). However, this increased use will also increase wear and tear on sites facilities.

Historic Sites Attendance

1989	630,374	1995	566,997
1990	673,950	1996	672,030
1991	670,628	1997	691,856
1992	574,535	1998	695,759
1993	577,000	1999	est.750,000
1994	545,929	2000	est.780,000

- **The Changing Nature of Education.** Education is no longer seen solely as a classroom-based function. Now, and into the next century, education will be less defined by formal structure; learning will be recognized as a life-long activity that will take place in many non-traditional settings. The state's historic sites and the Minnesota History Center are places where citizens will actively practice this evolving educational philosophy and learn about our common history. For example, twice as many people are doing research in the History Center than did in the old facility. The new information technologies will enable individuals and institutions including state agencies, other museums, schools, libraries and anyone with a connection to the Internet to access the vast resources contained within the Minnesota Historical Society.
- **Tourism and Economic Impact.** Visiting historic sites is one of the primary reasons that tourists travel in Minnesota and across the nation. A recent survey by the Travel Industry Association of American found that 46% of US adult travelers included a cultural, arts or historic activity to their travels, and of these activities, visiting a historic community or building was the most popular cultural activity listed on the survey.

In addition to the educational benefits of heritage tourism, communities across the state experience economic benefits from tourism. The Minnesota Office of Tourism estimates that tourism is a \$10 billion industry in Minnesota. Heritage tourism plays a significant part in this important element of our state's economy. Minnesota's Historic Sites Network draws 40% of its visitors from out of state.

- **Leveraged Funding Through Partnerships.** State funds can often be leveraged far beyond the initial appropriation. For instance, TEA-21 (the federal Transportation Equity Act for the 21st Century) provides 4 federal dollars for each state dollar. Relatively small grants to local historical organizations not only generate matching funds, but also result in volunteer work and commitment by the citizenry. The Society's Development Office constantly seeks funding from corporations, foundations, estates, and individuals to further its mission, capitalize on the programmatic benefits, and further leverage state funds.
- **Acquisition of New Sites.** During the 1996-97 biennium, title to the Sibley historic site was transferred to the state of Minnesota under the management of the Historical Society. This site has not yet been subject to the master planning process and the total extent of needed funding is unknown. We know that at least \$1.2 million will be needed to stabilize and preserve the structures at the Sibley site. \$500 thousand of this amount was appropriated in the 1994 capital bonding bill.
- **State and Federal Policies.** CAPRA funds administered by the Department of Administration apply only to state-owned buildings. However, 14 of the sites in the sites network are owned exclusively by the Society, and are not eligible for CAPRA funding. The Society receives direct appropriations for repair and replacement for buildings under its ownership. Additionally, the 1990 Americans With Disabilities Act requires facility and program adaptations.
- **Diversity.** The Society recognizes the importance of properly reflecting the role and contributions of the state's diverse population in its sites and exhibits. For example, operating and interpreting sites that describe the Native American experience (Fort Snelling, Lower Sioux Agency, Grand Mound, Mille Lacs) are essential if we are to portray Minnesota's past accurately and completely.

PROVIDE A SELF-ASSESSMENT OF THE CONDITION, SUITABILITY AND FUNCTIONALITY OF PRESENT FACILITIES, CAPITAL PROJECTS OR ASSETS:

The Historical Society estimates the total scope of its deferred maintenance/asset preservation/capital improvement need for the next 6 years to be approximately \$32 million, including restoration of facilities and updating and replacement of obsolete and worn out exhibits.

Historic Site Facilities

Since the enactment in 1965 of the state's historic sites program, the Society has pursued a planned, progressive approach to acquiring, developing, interpreting and preserving historic sites. The Society owns or administers a network of 32 sites, comprising 115 significant historical structures, totaling 437,977 square feet of interior space. Most of these structures were built in the 19th Century.

The very nature of 115 varied facilities, most of which are over 100 years old, makes it impossible to provide a single assessment of "physical condition, suitability and functionality" of the historic sites network, which includes many of the state's oldest and most fragile structures.

The historic relevance and importance of the state's historic sites coupled with their educational value cannot be disputed but century old buildings are in need of varying but substantive levels of stabilization, restoration and preservation. Every component of the historic sites network is part of the capital iceberg. In constant need of cosmetic/surface attention (paint, windows, carpeting), many components of their infrastructure (roofs, foundations, support members, access and egress routes, utilities) are in need of immediate attention. Without that attention, these historic resources will deteriorate beyond repair.

Preserving historic facilities that contain unique and expensive architectural features or time-specific construction techniques (Hill House copper gutters, log structures, Capitol furnishings and artworks) require capital funds that are greater than that of contemporary buildings.

Exhibits and Artifacts

In addition to the buildings and landscapes of the historic sites themselves, exhibits form the core of the educational program at historic sites. The steady stream of patrons who visit the historic sites take a toll on structures, exhibits, audio-visual equipment and artifacts. Exhibits require periodic restoration and refurbishing to keep them presentable for public use. If they are not regularly refurbished, they become dirty, damaged, and unsightly.

New technologies and contemporary design concepts have made older exhibits outdated and unappealing. As society and the attitudes of its people change, so do views of the past. New social sensitivities and different perspectives arise causing exhibits to become intellectually obsolete. Original exhibits containing over 19,300 artifacts are now long overdue for replacement:

Historic Sites Exhibits (\$ in 000s)

Site	Exhibit Condition	Age of Exhibit	SQ. Feet	Est Cost To Refurbish
Forest History Center	Fair	17 yrs	5,420	\$460
Fort Ridgely	Poor	23 yrs	1,911	362
Grand Mound	Poor	21 yrs	2,683	871
Fort Snelling:				
History Center	Fair	14 yrs	7,175	1,076
Log Barracks	Poor	20 yrs	4,280	1,284

AGENCY CAPITAL BUDGET REQUEST
Fiscal Years 2000-2005
Dollars in Thousands (\$137,500 = \$138)

Officers Qtrs	Poor	17 yrs	1,850	555
Hospital Building	Fair	19 yrs	799	120
Jeffers Petroglyphs-Spring'99			1,500	0
Lac Qui Parle Mission	Poor	15 yrs	840	84
Lindbergh House *	Poor	25 yrs	3,282	0
Lower Sioux Agency	Poor	25 yrs	2,220	666
Mille Lacs (New in 5/96)	Excellent		6,500	0
North West Co. Fur Post:				
Existing Fur Post	Poor	28 yrs	201	30
New Visitors Center	Pending			625
Oliver Kelley Farm	Poor	16 yrs	3,200	1,038
Split Rock Lighthouse	Good	12 yrs	4,500	450
Historic Forestville	Good	6 yrs	1,000	100
James J. Hill House	Good			350
Alexander Ramsey House	Fair	26 yrs	1,707	171
Upper Sioux Agency		26 yrs	1,100	200
LeDuc House			<u>2,500</u>	<u>750</u>
TOTAL			42,654	\$6,874

* Funded in previous capital budget

Markers and Monuments

The overall condition of the 170 state markers and 29 monuments is fair. Markers require maintenance and upkeep including preservation coating of bronze markers, casting of new markers, and foundation stabilization. Most urgently in need of ongoing maintenance and repair are the 29 state monuments; several of these large stone structures require tuck-pointing, replacement of granite blocks, and foundation stabilization. Sixty-five markers are at highway and interstate rest areas. Hundreds of thousands of people use Minnesota's highway system rest areas, and pause to read these markers. In this way, travelers from other states and countries, as well as citizens of Minnesota, learn about the state's rich historic heritage. Funding for monuments and markers is included in the preservation and repair request.

Minnesota History Center

The 1992 opening of the History Center, with 427,000 square feet on nine acres of land in the Capitol Complex provided Minnesotans with an appropriate facility to showcase, preserve and use the state's historic resources. Attendance at the History Center has exceeded initial projections by about 40%. Since opening, a total of 1.4 million individuals have visited the History Center.

The Center provides state of the art museum exhibits, demonstrations, workshops, lectures, and seminars designed for visitors of all ages and diverse interests. A broad range of educational and entertaining programs tells the story of Minnesota's people from earliest times to the present. Programs for 110,000 school children each

year are further enriched by hands-on activities in specially designed classrooms.

In the Library, visitors enjoy access to the State Archives and to the manuscript, newspaper, audio-visual, map, art and artifact collections. Environmentally controlled storage facilities enable staff to care for and preserve the collection of over 1 million artifacts (including 950 thousand archaeological artifacts and 250,000 historical artifacts). New information technologies will allow the Society to make its resources accessible to those not able to visit the History Center and to other institutions including more than 300 county and local historical organizations throughout the state.

While the History Center contains large amounts of storage space, additional space will be needed in the near future. The need for additional space was envisioned in the building's original design – a 10,000 square foot unfinished expansion space was constructed within the History Center's walls. A request for construction within the expansion space will be included in the Society's 2002 capital budget.

DESCRIBE THE AGENCY'S LONG-RANGE STRATEGIC GOALS AND CAPITAL BUDGET PLAN:

In 1996 the Minnesota Historical Society engaged in a comprehensive long-range planning process. With the assistance of an internationally known consultant in the museum/arts field the Society's board of directors established institutional priorities and programmatic emphasis. Four overriding goals were identified:

1. Rethink and revitalize the state's historic sites network.
2. Serve larger audiences, especially families, senior citizens, and school children with programs and services of the highest quality.
3. Increase services to people living beyond the Twin Cities metropolitan area.
4. Expand services to Minnesota's elementary and secondary schools.

These broad-based, institution-level goals are the basis on which this capital request is based. Additional initiatives incorporated into this capital request are listed below and augment the 4 major goals that resulted from the strategic planning process.

1. **Preserve Existing Assets While Completing Site Development.** This initiative is to increase the preservation and use of existing capital assets while continuing to strive toward completion of those sites that are not yet fully developed. Development of the state's historic sites system first began in 1965. Funds requested in this capital budget will complete development of the North West Company Fur Post and the St. Anthony Falls Heritage Center.
2. **Increase Public Access.** The Society's strategic plan addresses the need to develop programs for the increasingly diverse audiences the Society

anticipates serving in the next few decades. This initiative also relates to user safety and comfort by addressing structural needs and ADA related improvements.

3. **Leverage Non-State Funding.** This initiative recognizes the inherent benefits of developing all appropriate sources of support and revenue. A key element in this request is that the state should take advantage of federal matching opportunities for the St. Anthony Falls and North West Company Fur Post projects, as well as matching opportunities through the local grant program.

4. **Prior Legislative Commitment.** The Society has made a commitment to historic sites and resources that are a part of legislative action such as the Historic Sites Act of 1965 and the Historic Sites Act of 1993, Heritage Preservation Zone legislation, or the Outdoor Recreation Act of 1975. The Society has tried to reflect the intent of such legislation.

AGENCY PROCESS USED TO ARRIVE AT THESE CAPITAL REQUESTS:

The process the Society's management team used to develop these requests began with the identification of all appropriate needs. This list of needs was strongly influenced by a report prepared for the Society by CPMI, Inc., a consultant used by the Society for asset preservation, site development and construction/renovation purposes. A series of meetings was held with staff to develop this information. These needs were then put in priority order by the Society's management team. The request was approved by the Society's Executive Council at the June 1999 meeting.

AGENCY CAPITAL BUDGET PROJECTS DURING THE LAST SIX YEARS (1993-1999):

During the past 6 years, the Minnesota Historical Society has completed a number of significant projects. The construction management of these projects is done by Society staff, board-designated committees, and professional construction management firms with appropriate assistance from the state departments of Finance and Administration.

Significant Projects Completed:

- Planning for the North West Company Fur Post, including site improvements (6/93). Funding for this project was provided through L.C.M.R. funds (\$250 thousand) and through state bond proceeds (1994 - \$310 thousand).
- Minnesota History Center and Exhibits Project. Opened 10/92. Total project cost: \$81 million, including a private funds match of \$19.1 million.

- Mille Lacs Indian Museum and Ayer Trading Post. Opened 6/96 and 5/95 respectively. Included state bond funding of \$4 million, \$1 million from EDA, and \$1.3 million private funds.
- Grant-in-aid assistance: \$100 thousand (1990) and \$375 thousand (1992) to develop and preserve the Stone Arch Bridge. (Opened 10/94.)
- Jeffers Petroglyphs Visitor Center. Opened Spring 1999. Total project cost: \$825 thousand.
- Various asset preservation projects at historic sites-1994-1998. Funding \$6.625 million.

AGENCY CONTACT PERSON, TITLE, AND PHONE

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2000 STATE APPROPRIATION REQUEST: \$1,750

AGENCY PROJECT PRIORITY: 1 of 5

PROJECT LOCATION: Multiple Sites - Statewide

PROJECT DESCRIPTION:

The Historical Society is seeking \$1.75 million for the preservation and restoration of eight existing sites. This request is for work that is critical to the preservation and maintenance of the state's historic sites. It includes preservation, restoration, reconstruction, and maintenance of buildings, building systems, landscapes, exhibits, markers and monuments. This work is largely directed to historic buildings and sites that are open to the public. The need for this project results from the use of the historic sites by nearly 14 million visitors in 3 decades, deferred maintenance, changes in preservation and life/safety regulations, environmental changes and the aging of the building materials and systems.

These highly significant historic buildings and landscapes require specialized preservation and maintenance practices and technologies, not typical of contemporary buildings. Historic buildings are non-renewable social and material culture resources that require a high standard of care. Many of these buildings were built with materials intended for private family homes; they are now exposed to visitation on the scale of public buildings with greater loads and accelerated wear.

These asset preservation needs cannot be met by the current level of repair and replacement funding from the Society's operating budget. To preserve these buildings as examples for future study of building practices, land use and social history, action must be taken.

Historic buildings and landscapes contribute to the educational program of the statewide historic sites network and are a significant state investment. Historic sites need skilled care and planned maintenance. Historic building materials and assemblies need to be maintained for as long as possible and when repair or replacement becomes necessary the work must be carefully researched, planned and executed by skilled tradespersons with exacting attention to historic details, materials and methods. As a learning resource for the student of Minnesota history, architecture or building trades, this work must meet or exceed the preservation standards set by state and federal agencies and professional organizations. To assure the health and safety and access of visitors and staff, the Society must remain vigilant in the maintenance of the historic sites network.

Inventory of Asset Preservation Needs for 2000 (Total = \$1,750) Priority Listing

<u>Site</u>	<u>Project Content</u>	<u>Cost (in \$000)</u>
Ramsey House	Building and grounds condition assessment, repairs and restoration	\$250
Historic Fort Snelling	Construction and repair of systems for ground and subsurface water control	\$250
Fort Ridgely	Repair and restoration of the powder magazine and commissary	\$200
Hill House	Hillside stabilization including cistern, retaining wall, rear step area and hill landscaping	\$450
Historic Fort Snelling	Outside wall repair and replacement	\$200
State Capitol	Repair and restore sculpture	\$100
Monuments and Markers	Repair of Statewide monuments and markers	\$50
Le Duc House	Building and grounds condition assessment and repair of critical elements.	\$250
Total 2000:		\$1,750

PROJECT RATIONALE AND RELATIONSHIP TO AGENCY LONG-RANGE STRATEGIC GOALS AND CAPITAL PLAN:

To accomplish the goals established by the long-range plan (see Strategic Planning Summary) part of the Society's strategy is to invest a significant portion of available resources into assets that are currently being used by the public. All of the sites in this project are a part of the statewide historic site network as defined in M.S. Chapter 138.661, and have strong local and regional support from the areas in which they are located.

The historic buildings and landscapes within the Historic Sites Network include sites which are of state and national significance. They fulfill the Society's mission to collect and preserve evidence of human culture in Minnesota and provide unique tools for the teaching of Minnesota history in all its academic, technological, trade and social diversity. Failure to maintain these treasures will result in irreversible loss of material and intellectual culture.

IMPACT ON AGENCY OPERATING BUDGET (FACILITIES NOTE):

Minor increases to the Society's operating budget will be needed for the projects at Hill House and State Capitol. These funds will be requested during a future operating budget cycle.

OTHER CONSIDERATIONS:

- These asset preservation requests will allow the Society to maintain its strong network of historic structures. Major repair and construction work was performed at the historic sites 20-30 years ago. The life cycle of that work has been exceeded and a reasonable standard of care requires that the needs be addressed. At Fort Ridgely a worn roof and worn mortar has allowed moisture infiltration to the logs of the Powder Magazine, rotting the logs, and creating a potential hazard to visitors. At Fort Snelling, openings in mortar joints and poor site drainage has allowed water and ice to infiltrate the fort's stone walls and structures, leading to the collection of water in the heavy timbers, rot and a threat to visitors and staff. The historic landscape at the Hill House has become overgrown. Clearing, restoring, and maintaining the landscape and the retaining walls will increase visitor safety and eliminate hiding places used by transients.
- Many of the Minnesota Historical Society's sites are not state-owned, and therefore not eligible for CAPRA funding. The capital budget is the primary source of funding for preservation needs of these irreplaceable resources.
- The Society's current repair and replacement budgets are inadequate to meet asset preservation needs within the state network of historic sites. An additional \$5.125 million is needed throughout the year 2005 (see table). This figure could increase as additional problems are discovered, the buildings increase in age, the required skills and materials become more and more difficult to find, and preservation technology continues research and discovery of new materials and methods to preserve historic structures.

Additional Asset Preservation Needs in 2002 and 2004 (Total = \$5,125)

Site	Year	Project Content	Cost (in \$000)
Forest History Center	2002	Permanent exhibit replacement	\$750
LeDuc House	2002	Exterior and interior stabilization	\$750
Historic Forestville	2002	Restore interior	\$100
Comstock House	2002	Restore barn and house exterior	\$250
Hill House	2002	Interior and exterior stabilization including verandah, gates & fences, sidewalks, gate house exterior	\$300
Monuments and Markers	2002	Repair	\$100
Ramsey House	2002	Carriage house building renovation; grounds; maintenance storage; dressing rooms	\$175
Fort Ridgely	2002	Permanent exhibit replacement	\$450
Harkin Store	2002	Building repair and stabilization	\$150
Total 2002:			\$3,025

Grand Mound	2004	Permanent exhibit replacement	\$900
Hill House	2004	Restore gate house interior	\$125
Lac Qui Parle Mission	2004	Permanent exhibit replacement	\$100
Monuments and Markers	2004	Repair	\$125
Split Rock Lighthouse	2004	Restore dwelling #2 to Coast Guard era; move caretaker's residence in dwelling #2 to dwelling #3	\$275
Le Duc House	2004	Interior stabilization and restoration	\$400
Split Rock Lighthouse	2004	Exhibit upgrade to fog signal building and trails	\$175
Total 2004:			\$2,100
Total 2002 and 2004			\$5,125

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Minnesota Historical Society
Historic Sites Network - Asset Preservation

AGENCY CAPITAL BUDGET REQUEST
Fiscal Years 2000-2005
Dollars in Thousands (\$137,500 = \$138)

Project Cost

TOTAL PROJECT COSTS All Years and All Funding Sources	Project Costs All Prior Years	Project Costs FY 2000-01	Project Costs FY 2002-03	Project Costs FY 2004-05	Project Costs All Years	Project Start (Month/Year)	Project Finish (Month/Year)
1. Property Acquisition							
Land, Land and Easements, Options	\$0	\$0	\$0	\$0	\$0		
Buildings and Land	0	0	0	0	0		
SUBTOTAL	0	0	0	0	0		
2. Predesign							
SUBTOTAL	0	0	0	0	0		
3. Design Fees							
Schematic	0	0	0	0	0		
Design Development	0	0	0	0	0		
Contract Documents	0	0	0	0	0		
Construction Administration	0	0	0	0	0		
SUBTOTAL	0	0	0	0	0		
4. Project Management						07/2000	06/2002
State Staff Project Management	0	87	0	0	87		
Construction Management	0	0	0	0	0		
SUBTOTAL	0	87	0	0	87		
5. Construction Costs							
Site & Building Preparation	0	0	0	0	0		
Demolition/Decommissioning	0	0	0	0	0		
Construction	0	0	0	0	0		
Infrastructure/Roads/Utilities	0	0	0	0	0		
Hazardous Material Abatement	0	0	0	0	0		
Construction Contingency	0	0	0	0	0		
SUBTOTAL	0	0	0	0	0		
6. Art							
SUBTOTAL	0	0	0	0	0		
7. Occupancy							
Furniture, Fixtures and Equipment	0	0	0	0	0		
Telecommunications (voice & data)	0	0	0	0	0		
Security Equipment	0	0	0	0	0		
Commissioning	0	0	0	0	0		
SUBTOTAL	0	0	0	0	0		
8. Inflation							
Midpoint of Construction							
Inflation Multiplier		0.00%	0.00%	0.00%			
Inflation Cost		0	0	0	0		
SUBTOTAL		0	0	0	0		
9. Other						07/2000	06/2002
SUBTOTAL	6,625	1,663	3,025	2,100	13,413		
GRAND TOTAL	\$6,625	\$1,750	\$3,025	\$2,100	\$13,500		

CAPITAL FUNDING SOURCES	Prior Years	FY 2000-01	FY 2002-03	FY 2004-05	TOTAL
State Funds :					
G.O Bonds/State Bldgs	6,625	1,750	3,025	2,100	13,500
State Funds Subtotal	6,625	1,750	3,025	2,100	13,500
Agency Operating Budget Funds	0	0	0	0	0
Federal Funds	0	0	0	0	0
Local Government Funds	0	0	0	0	0
Private Funds	0	0	0	0	0
Other	0	0	0	0	0
TOTAL	6,625	1,750	3,025	2,100	13,500

IMPACT ON STATE OPERATING COSTS	Current FY 2000-01	Projected Costs (Without Inflation)			
		FY 2000-01	FY 2002-03	FY 2004-05	FY 2006-07
Compensation -- Program and Building Operation	0	0	0	0	0
Other Program Related Expenses	0	0	0	0	0
Building Operating Expenses	0	0	0	0	0
State-Owned Lease Expenses	0	0	0	0	0
Nonstate-Owned Lease Expenses	0	0	0	0	0
Expenditure Subtotal	0	0	0	0	0
Revenue Offsets	0	0	0	0	0
TOTAL	0	0	0	0	0
Change from Current FY 2000-01		0	0	0	0
Change in F.T.E. Personnel		0.0	0.0	0.0	0.0

PREVIOUS STATE CAPITAL APPROPRIATIONS FOR THIS PROJECT (Legal Citations)	Amount
Laws of Minnesota (year), Chapter, Section, Subdivision	
Laws 1998, Chapter 404, Section 25, Subdivision 2	1,500
Laws 1996, Chapter 463, Section 22, Subdivision 2	3,000
Laws 1994, Chapter 643, Section 19, Subdivision 2-3	2,125

SOURCE OF FUNDS FOR DEBT SERVICE PAYMENTS (for bond-financed projects)	Amount	Percent of Total
General Fund	1,750	100.0%
User Financing	0	0.0%

STATUTORY AND OTHER REQUIREMENTS	
Project applicants should be aware that the following requirements will apply to their projects after adoption of the bonding bill.	
No	MS 16B.335 (1a): Construction/Major Remodeling Review (Legislature)
Yes	MS 16B.335 (1b): Project Exempt From This Review (Legislature)
No	MS 16B.335 (2): Other Projects (Legislative Notification)
No	MS 16B.335 (3): Predesign Requirement (Administration Dept)
No	MS 16B.335 (4): Energy Conservation Requirements (Agency)
No	MS 16B.335 (5): Information Technology Review (Office of Technology)
No	MS 16A.695: Use Agreement Required (Finance Dept)
No	MS 16A.695: Program Funding Review Required (Agency)
No	Matching Funds Required (as per agency request)

Department of Administration Analysis:

12/7/99

Admin supports Asset preservation requests.

Department of Finance Analysis:

This proposal seeks to preserve and enhance deteriorating state owned historic sites. This is the fourth biennial request; each has been funded at a level less than what was requested.

Governor's Recommendation:

The Governor recommends general obligation bonding of \$1.75 million for this project. Also included are budget planning estimates of \$1.75 million in 2002 and \$1.75 million in 2004.

STATEWIDE STRATEGIC SCORE		
Criteria	Values	Points
Critical Life Safety Emergency - Existing Hazards	0/700	0
Critical Legal Liability - Existing Liability	0/700	0
Prior Binding Commitment	0/700	0
Strategic Linkage - Agency Six Year Plan	0/40/80/120	120
Safety/Code Concerns	0/35/70/105	35
Customer Service/Statewide Significance	0/35/70/105	70
Agency Priority	0/25/50/75/100	100
User and Non-State Financing	0-100	0
State Asset Management	0/20/40/60	40
State Operating Savings or Operating Efficiencies	0/20/40/60	0
Contained in State Six-Year Planning Estimates	0/25/50	50
Total	700 Maximum	415

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2000 STATE APPROPRIATION REQUEST: \$3,750

AGENCY PROJECT PRIORITY: 2 of 5

PROJECT LOCATION: Minneapolis - Hennepin County

PROJECT DESCRIPTION:

The Society proposes to build an orientation and educational center within the walls of the stabilized Washburn Crosby "A" Mill, a National Historic Landmark, and a former flour mill on the Mississippi Riverfront in the historic West Side Milling District in Minneapolis. The St. Anthony Falls Heritage Center will be a year-round facility containing exhibits, classrooms, audio-visual displays, visitor services, and a sales area. Its programs will open up exploration of the Mississippi Riverfront, reveal the multiple stories of the region (lumber and flour milling, agriculture and railroads), and educate students of all ages about the birthplace of Minneapolis and the important historical changes in the region's geography and environment.

Its presence will add energy and activity to the Riverfront and the surrounding community, bringing families, school children, and tourists to the river to learn and enjoy. The Society's current interpretive programs at St. Anthony Falls operate out of a temporary storefront location on the east side of the river. This facility has inadequate space to meet the needs of school groups and tour groups.

The new Heritage Center will be managed by the MHS in cooperation with the partners of the St. Anthony Falls Heritage Board. Pre-design for the project was completed in 1997 with funds provided by the Heritage Board. The Society will raise \$16 million in non-state funds for the project, which represents two-thirds of the overall project cost. To date, over half of the total project cost has been raised from a combination of state, federal and local governments, as well as foundations and individuals. The 1998 Legislature provided \$4 million toward this project. This request is for an additional \$3.75 million.

The St. Anthony Falls Heritage Board and Heritage Zone were created by the 1988 Legislature to provide a comprehensive interpretive development plan for the Zone's historic resources and a grant-making program defined in M.S. 138.764 to provide incentives to preserve and interpret the Zone's historic resources. The Society is responsible for public education in the Zone.

An *Interpretive Plan* was completed in 1990 that lists 28 separate components built upon those historic resources. Among the resources are 2 national historic landmark mills and the Stone Arch Bridge, which is a national historic engineering landmark. The Washburn A Mill, partially destroyed by fire in 1991, has been stabilized and awaits redevelopment; its stabilization has already been supported in part by state bond funds. The Stone Arch Bridge was restored and opened to the public in 1994, the product of a partnership between members of the Heritage Board and MnDOT.

The connecting element in the *Interpretive Plan* is a heritage trail. The Saint Anthony Falls Heritage Trail opened in 1996, crossing the Stone Arch Bridge, connecting the historic resources in the zone into a popular and widely used walking tour about the area and its history. The heritage trail is supported by a network of popular interpretive markers along the nearly two mile trail.

High on the priority list of the *Interpretive Plan* was the preservation of the landmark Washburn A Mill. With this request it will become the St. Anthony Falls Heritage Center, the orientation center/museum which is the third key element of the master plan. Funds provided through this request will ensure preservation of this mill and its adaptive reuse as a public space that is surrounded by the investments and developments of others, both public and private.

Previous investment by the state in this area has stimulated high federal and local interest in continuing the implementation of the interpretive plan. The educational and economic benefits are substantial. State funding will attract a significant amount of non-state funds during the coming biennia. A program designed to encourage public and private investment in historic preservation in the Zone will reduce need for state funds in preserving such sites.

IMPACT ON AGENCY OPERATING BUDGETS (FACILITIES NOTE):

This proposal would add \$422 thousand per year to the site's state-funded part of its operating budget in increased staffing, maintenance, supplies and program costs.

OTHER CONSIDERATIONS:

- State funding of elements of the St. Anthony Falls Implementation Plan has already encouraged significant federal and private funding in the St. Anthony Falls area. Significant private investment has been made in housing and offices in the area, including the preservation and restoration of a number of important adjacent historic structures.
- Additional investment in the St. Anthony Falls area will result in a continuation of the mutually beneficial partnership of business, history, and recreation.

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TOTAL PROJECT COSTS All Years and All Funding Sources	Project Costs All Prior Years	Project Costs FY 2000-01	Project Costs FY 2002-03	Project Costs FY 2004-05	Project Costs All Years	Project Start (Month/Year)	Project Finish (Month/Year)
1. Property Acquisition							
Land, Land and Easements, Options	\$0	\$0	\$0	\$0	\$0		
Buildings and Land	0	0	0	0	0		
SUBTOTAL	0	0	0	0	0		
2. Predesign							
SUBTOTAL	5	62	0	0	67	11/1998	07/1999
3. Design Fees							
Schematic	244	0	0	0	244	06/1999	12/1999
Design Development	326	0	0	0	326	12/1999	07/2000
Contract Documents	652	0	0	0	652	02/2000	08/2000
Construction Administration	407	0	0	0	407	09/2000	06/2002
SUBTOTAL	1,629	0	0	0	1,629		
4. Project Management						06/2000	06/2002
State Staff Project Management	0	0	0	0	0		
Construction Management	0	283	0	0	283		
Other Costs	0	0	0	0	0		
SUBTOTAL	0	283	0	0	283		
5. Construction Costs						09/2000	12/2002
Site & Building Preparation	0	342	0	0	342		
Demolition/Decommissioning	0	779	0	0	779		
Construction	2,371	10,652	0	0	13,023		
Infrastructure/Roads/Utilities	0	0	0	0	0		
Hazardous Material Abatement	0	0	0	0	0		
Construction Contingency	0	1,414	0	0	1,414		
SUBTOTAL	2,371	13,187	0	0	15,558		
6. Art						10/2001	12/2002
SUBTOTAL	0	155	0	0	155		
7. Occupancy							
Furniture, Fixtures and Equipment	0	800	0	0	800	10/2001	12/2002
Telecommunications (voice & data)	0	0	0	0	0	10/2001	12/2002
Security Equipment	0	0	0	0	0	10/2001	12/2002
Commissioning	0	0	0	0	0	10/2001	12/2002
SUBTOTAL	0	800	0	0	800		
8. Inflation							
Midpoint of Construction		06/2001					
Inflation Multiplier		9.40%	0.00%	0.00%			
Inflation Cost		1,362	0	0	1,362		
SUBTOTAL		1,362	0	0	1,362		
9. Other						06/1999	12/2002
SUBTOTAL	0	4,545	0	0	4,545		
GRAND TOTAL	\$4,005	\$20,394	\$0	\$0	\$24,399		

AGENCY CAPITAL BUDGET REQUEST
Fiscal Years 2000-2005
Dollars in Thousands (\$137,500 = \$138)

CAPITAL FUNDING SOURCES	Prior Years	FY 2000-01	FY 2002-03	FY 2004-05	TOTAL
State Funds :					
G.O Bonds/State Bldgs	4,000	3,750	0	0	7,750
State Funds Subtotal	4,000	3,750	0	0	7,750
Agency Operating Budget Funds	5	0	0	0	5
Federal Funds	0	0	0	0	0
Local Government Funds	0	0	0	0	0
Private Funds	0	16,644	0	0	16,644
Other	0	0	0	0	0
TOTAL	4,005	20,394	0	0	24,399

IMPACT ON STATE OPERATING COSTS	Current FY 2000-01	Projected Costs (Without Inflation)			
		FY 2000-01	FY 2002-03	FY 2004-05	FY 2006-07
Compensation -- Program and Building Operation	420	420	1,696	1,696	1,696
Other Program Related Expenses	74	74	563	563	563
Building Operating Expenses	22	22	508	508	508
State-Owned Lease Expenses	0	0	0	0	0
Nonstate-Owned Lease Expenses	0	0	0	0	0
Expenditure Subtotal	516	516	2,767	2,767	2,767
Revenue Offsets	0	0	<1,407>	<1,407>	<1,407>
TOTAL	516	516	1,360	1,360	1,360
Change from Current FY 2000-01		0	844	844	844
Change in F.T.E. Personnel		0.0	18.9	0.0	0.0

PREVIOUS STATE CAPITAL APPROPRIATIONS FOR THIS PROJECT (Legal Citations)	Amount
Laws of Minnesota (year), Chapter, Section, Subdivision	
Laws 1998, Chapter 404, Section 25, Subdivision 7	4,000

SOURCE OF FUNDS FOR DEBT SERVICE PAYMENTS (for bond-financed projects)	Amount	Percent of Total
General Fund	3,750	100.0%
User Financing	0	0.0%

STATUTORY AND OTHER REQUIREMENTS	
Project applicants should be aware that the following requirements will apply to their projects after adoption of the bonding bill.	
Yes	MS 16B.335 (1a): Construction/Major Remodeling Review (Legislature)
No	MS 16B.335 (1b): Project Exempt From This Review (Legislature)
No	MS 16B.335 (2): Other Projects (Legislative Notification)
Yes	MS 16B.335 (3): Predesign Requirement (Administration Dept)
Yes	MS 16B.335 (4): Energy Conservation Requirements (Agency)
No	MS 16B.335 (5): Information Technology Review (Office of Technology)
No	MS 16A.695: Use Agreement Required (Finance Dept)
No	MS 16A.695: Program Funding Review Required (Agency)
Yes	Matching Funds Required (as per agency request)

Department of Administration Analysis:

12/7/99

Predesign for this request has been previously completed.

Department of Finance Analysis:

In their F.Y. 1998 request the Society asked for \$9.945 million and promised to raise an additional \$1 million for exhibits as part of an \$11 million project. The legislature appropriated \$4 million for structural stabilization, landscaping, and design for St. Anthony Falls Historic District.

Since that time, the project has increased in cost to \$24.5 million, of which \$16 million would be raised separately. The Society now intends to tell the full story of milling in Minnesota including wheat growing in the Red River Valley and the transportation of the product to the mills. An 8-story flour tower will be built to help show the size of the milling process. Adequate classroom space has also been added.

Currently, the Society has raised about \$8 million (including the \$4 million state appropriation). Other funding has been garnered from the National Endowment for the Humanities and private donors.

In 1998, the MHS stated that the site would require an additional 5 FTE's. As the size and scope of the project has increased, the MHS now projects an additional 19 FTE's.

Generally speaking, the Society has an easier time raising funds for capital budgets than operating budgets. Private citizens and organizations are more likely to invest in new buildings and exhibits than in ongoing operating costs of the organization.

Governor's Recommendation:

The Governor does not recommend capital funds for this project.

STATEWIDE STRATEGIC SCORE		
Criteria	Values	Points
Critical Life Safety Emergency - Existing Hazards	0/700	0
Critical Legal Liability - Existing Liability	0/700	0
Prior Binding Commitment	0/700	0
Strategic Linkage - Agency Six Year Plan	0/40/80/120	80
Safety/Code Concerns	0/35/70/105	0
Customer Service/Statewide Significance	0/35/70/105	0
Agency Priority	0/25/50/75/100	75
User and Non-State Financing	0-100	69
State Asset Management	0/20/40/60	0
State Operating Savings or Operating Efficiencies	0/20/40/60	0
Contained in State Six-Year Planning Estimates	0/25/50	50
Total	700 Maximum	274

2000 STATE APPROPRIATION REQUEST: \$600

AGENCY PROJECT PRIORITY: 3 of 5

PROJECT LOCATION: Pine City, Pine County

PROJECT DESCRIPTION:

This initiative completes the final phase of a multi-year project, which involves the construction of a visitor center, site preparation, landscaping, and exhibits for the North West Company Fur Post in accordance with the master plan developed and approved under the Outdoor Recreation Act of 1975. State funds for the project, appropriated by the 1998 Legislature, are being matched with federal TEA-21 transportation monies.

A visitor center is the starting point for the public's use of a major historic site. It contains exhibit space to tell the story of the site, restrooms, gift shop and staff offices. It prepares the visitor so that they will have a better understanding of the site's history.

PROJECT RATIONALE AND RELATIONSHIP TO AGENCY LONG-RANGE STRATEGIC PLAN AND CAPITAL PLAN:

The reconstructed North West Company Fur Post sits on its original location on 150 acres of land in Pine County. The Snake River passes through the site to provide an unusual scenic setting. For over 2 centuries fur traders from 3 nations threaded their canoes through the region's lakes and rivers in search of animal pelts so highly prized by European and Asian fashion. A group of traders representing the British North West Company landed on the banks of the Snake River in October 1804, and set up a trading post to trade with the nearby Ojibwe Indians. Today, this authentically reconstructed fur post is stocked with utensils and barter goods of the fur trade. Costumed guides demonstrate the everyday activities of the voyageurs. This story of Minnesota's first commercial enterprise is not told in its entirety anywhere else in the state.

A visitor center of 10,500 gross square feet, with exhibit area and restrooms plus parking is needed to properly present this site. In addition the site needs improved behind-the-scenes support, including a heated office for the site manager (temperatures in the existing office drop to 45 degrees in the spring and fall) and staff changing areas and work space. Through 1994 state support, construction drawings have been complete since June 1996 and site development, including construction of trails and a new parking lot was complete in fall 1998. The 1998 Legislature provided \$1.5 million as a partial commitment to complete the project. We were fortunate to secure a matching \$1.5 million through a TEA-21 grant. This request seeks the \$600,000 remaining to complete the project and will be used to install exhibits in the

new visitor center.

The North West Company Fur Post, located in Pine County, attracts visitors from all over the United States and Canada. An active "Friends" group, which has members from across Minnesota, surrounding states, and Canada, was established to assist in this site's development and highway signing. This site's close proximity to I-35 will have a significant impact in attracting tourism traffic. This project has high priority in the Society's strategic plan.

IMPACT ON AGENCY OPERATING BUDGETS (FACILITIES NOTE):

Operating costs will increase because the site will be fully developed and require additional staff, utilities and equipment. The site as it exists today only has the restored fur post (with no water, restrooms, or heated buildings) and vault toilets.

When fully developed, this site will generate admissions income by serving greater numbers of visitors, thus helping to offset increased operating costs. The potential for a highly visited site in this economically depressed area is significant. It is located just off Interstate 35 at the Pine City exit about 50 miles north of the Twin Cities. This will provide spin-off economic impacts in the surrounding region.

OTHER CONSIDERATIONS:

- This proposed expansion fits with the Society's strategic plan to interpret historic sites of statewide significance. It will improve customer service for visitors to the site by providing modern restrooms within a sheltered building, an improved entry road, and an educational interpretation of the Fur Post.
- This project is a critical need for boosting tourism efforts in the region. It has high support from residents of Pine County, who have been working actively to support this initiative for the last 7 years. Pine City has designed much of its advertising and promotion around the voyageur and fur trade theme.

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TOTAL PROJECT COSTS All Years and All Funding Sources	Project Costs All Prior Years	Project Costs FY 2000-01	Project Costs FY 2002-03	Project Costs FY 2004-05	Project Costs All Years	Project Start (Month/Year)	Project Finish (Month/Year)
1. Property Acquisition							
Land, Land and Easements, Options	\$0	\$0	\$0	\$0	\$0		
Buildings and Land	0	0	0	0	0		
SUBTOTAL	0	0	0	0	0		
2. Predesign	250	0	0	0	250		
SUBTOTAL							
3. Design Fees							
Schematic	18	0	0	0	18		
Design Development	31	0	0	0	31		
Contract Documents	54	0	0	0	54		
Construction Administration	55	0	0	0	55	07/2000	06/2001
SUBTOTAL	158	0	0	0	158		
4. Project Management						07/2000	08/2001
State Staff Project Management	13	0	0	0	13		
Construction Management	120	0	0	0	120		
SUBTOTAL	133	0	0	0	133		
5. Construction Costs						07/2000	09/2001
Site & Building Preparation	375	0	0	0	375		
Demolition/Decommissioning	0	0	0	0	0		
Construction	2,000	0	0	0	2,000		
Infrastructure/Roads/Utilities	194	0	0	0	194		
Hazardous Material Abatement	0	0	0	0	0		
Construction Contingency	71	0	0	0	71		
SUBTOTAL	2,640	0	0	0	2,640		
6. Art	20	0	0	0	20	07/2000	09/2001
SUBTOTAL							
7. Occupancy							
Furniture, Fixtures and Equipment	110	0	0	0	110	03/2001	10/2001
Telecommunications (voice & data)	15	0	0	0	15	03/2001	10/2001
Security Equipment	15	0	0	0	15	03/2001	10/2001
Commissioning	20	0	0	0	20	07/2001	01/2002
SUBTOTAL	160	0	0	0	160		
8. Inflation							
Midpoint of Construction		02/2001					
Inflation Multiplier		7.70%	0.00%	0.00%			
Inflation Cost		0	0	0	0		
SUBTOTAL							
9. Other	199	600	0	0	799	07/2000	04/2002
SUBTOTAL							
GRAND TOTAL	\$3,560	\$600	\$0	\$0	\$4,160		

AGENCY CAPITAL BUDGET REQUEST
Fiscal Years 2000-2005
Dollars in Thousands (\$137,500 = \$138)

CAPITAL FUNDING SOURCES	Prior Years	FY 2000-01	FY 2002-03	FY 2004-05	TOTAL
State Funds :					
G.O Bonds/State Bldgs	2,060	600	0	0	2,660
State Funds Subtotal	2,060	600	0	0	2,660
Agency Operating Budget Funds	0	0	0	0	0
Federal Funds	1,500	0	0	0	1,500
Local Government Funds	0	0	0	0	0
Private Funds	0	0	0	0	0
Other	0	0	0	0	0
TOTAL	3,560	600	0	0	4,160

IMPACT ON STATE OPERATING COSTS	Current FY 2000-01	Projected Costs (Without Inflation)			
		FY 2000-01	FY 2002-03	FY 2004-05	FY 2006-07
Compensation -- Program and Building Operation	151	151	572	572	572
Other Program Related Expenses	13	13	51	104	104
Building Operating Expenses	61	61	68	68	68
State-Owned Lease Expenses	0	0	0	0	0
Nonstate-Owned Lease Expenses	0	0	0	0	0
Expenditure Subtotal	225	225	691	744	744
Revenue Offsets	0	0	<17>	<70>	<70>
TOTAL	225	225	674	674	674
Change from Current FY 2000-01		0	449	449	449
Change in F.T.E. Personnel		0.0	5.9	0.0	0.0

PREVIOUS STATE CAPITAL APPROPRIATIONS FOR THIS PROJECT (Legal Citations)	Amount
Laws of Minnesota (year), Chapter, Section, Subdivision	
Laws 1998, Chapter 404, Section 25, Subdivision 5	1,500
Laws 1994, Chapter 643, Section 19, Subdivision 7	310
Laws 1991, Chapter 254, Section 14, Subdivision 3(k) (LCMR)	250

SOURCE OF FUNDS FOR DEBT SERVICE PAYMENTS (for bond-financed projects)	Amount	Percent of Total
General Fund	600	100.0%
User Financing	0	0.0%

STATUTORY AND OTHER REQUIREMENTS	
Project applicants should be aware that the following requirements will apply to their projects after adoption of the bonding bill.	
Yes	MS 16B.335 (1a): Construction/Major Remodeling Review (Legislature)
No	MS 16B.335 (1b): Project Exempt From This Review (Legislature)
No	MS 16B.335 (2): Other Projects (Legislative Notification)
Yes	MS 16B.335 (3): Predesign Requirement (Administration Dept)
Yes	MS 16B.335 (4): Energy Conservation Requirements (Agency)
No	MS 16B.335 (5): Information Technology Review (Office of Technology)
No	MS 16A.695: Use Agreement Required (Finance Dept)
No	MS 16A.695: Program Funding Review Required (Agency)
No	Matching Funds Required (as per agency request)

Department of Administration Analysis:

12/7/99

Predesign for this project was previously completed.

Department of Finance Analysis:

The 1998 legislature appropriated \$1.5 million to design, construct, furnish, and equip the North West Company Fur Post Interpretive Center. At that time the Society had requested \$3.148 million. Since that appropriation, the Society has secured a matching TEA-21 grant of \$1.5 million. This request seeks the remaining \$600 thousand needed to complete the project and to install exhibits in the new visitor center.

When completed, this site will increase the Society's annual operating costs by \$225 thousand and an additional 6 FTE.

In spite of the benefit to the local economy when this project reaches fruition, the city or the county have not committed any funds for capital or operating costs of this project.

Governor's Recommendation:

The Governor does not recommend capital funds for this project.

STATEWIDE STRATEGIC SCORE		
Criteria	Values	Points
Critical Life Safety Emergency - Existing Hazards	0/700	0
Critical Legal Liability - Existing Liability	0/700	0
Prior Binding Commitment	0/700	0
Strategic Linkage - Agency Six Year Plan	0/40/80/120	80
Safety/Code Concerns	0/35/70/105	0
Customer Service/Statewide Significance	0/35/70/105	0
Agency Priority	0/25/50/75/100	50
User and Non-State Financing	0-100	36
State Asset Management	0/20/40/60	40
State Operating Savings or Operating Efficiencies	0/20/40/60	0
Contained in State Six-Year Planning Estimates	0/25/50	50
Total	700 Maximum	256

2000 STATE APPROPRIATION REQUEST: \$500

AGENCY PROJECT PRIORITY: 4 of 5

PROJECT LOCATION: Multiple Locations - Statewide

PROJECT DESCRIPTION: This project provides funding, on a competitive matching basis, for county and local historic preservation projects. By all standards, this project provides the best possible return on the state's investment. The funds dedicated to this preservation project are allocated to local and county organizations through the Society's grant-in-aid process. Recipients of county and local preservation grants are required to fully match state funds. For projects to restore properties listed on the National Register of Historic Places, both state and local funds can be matched by federal funds.

Grant-in-aid funds are made available on a local match basis to preserve historic assets. This program is one of the most successful of its type with relatively small amounts of money leveraging vast sums of local funding and volunteer efforts. Funds appropriated between 1994 and 1998 were spread across Minnesota on a competitive grant basis, with requests more than double the funds available.

This project has the effect of reducing the state's overall share of investment in preserving historic resources while fulfilling the state's statutory commitment to preserving elements of the state's inventory of historic resources (M.S. 138.665). Some states, for example, attempt to preserve 125+ historic sites at the state level. In Minnesota, we have limited the state's historic sites network to 32 sites, allowing the Society to concentrate on its mission of interpreting historic sites of statewide significance. Minnesota's grant-in-aid program, initiated in 1969, encourages local organizations to take on such preservation projects rather than depend on the state to fund both their capital and operating costs.

Since 1969 more than 1 thousand capital and operating grants have been awarded to qualified historical organizations in all 87 counties resulting in the preservation of the evidence of Minnesota's past. In the most recent rounds of grants, the Society's Grant-in-Aid program has assisted to preserve and make accessible such projects as the Pine Island City Hall, the New Ulm Post Office, the Washington County Courthouse, the Koochiching County Courthouse, the Hubbard House in Mankato, the Glensheen Mansion in Duluth, the Universal Laboratories Building in Dassel, Hibbing High School Auditorium, the Paramount Theater in St. Cloud, and the Thief River Falls Depot. From the financial perspective, 1994, 1996 and 1998 appropriations totaling \$2.4 million will leverage at least an equal amount in local match funding, as well as countless hours of volunteer effort. Additionally, this project helps to fulfill 2 goals identified in the Society's long range strategic plan: serving larger audiences, and increasing its services outside the metropolitan area.

In 1998, Congress reauthorized transportation funding as the Transportation Equity

Act for the 21st Century (TEA-21), replacing the former transportation act, ISTEA. As with ISTEA, TEA-21 provides funding for historic preservation projects through the enhancement program. The Society's grant criteria allows funding for local matches to TEA-21 dollars, should local historical organizations need assistance.

Other accomplishments include:

- Grants for historic preservation have stimulated local economies. The nearly \$4 million in state funds have been more than doubled by local matches used to implement projects, and quadrupled in the case of ISTEA grants. Tourists coming to visit these historic resources bring new dollars to Minnesota communities.
- Professional standards and expertise were increased among staff and volunteers at county and local historical organizations receiving grants because of the technical assistance that accompanies them.
- Many projects made possible by these grants enabled communities, most commonly through county and local governments and historical organizations, to reach out beyond their traditional constituencies and attract new audiences, including significant new volunteer activities.

In summary, this grants program has enabled many organizations throughout the state to preserve significant historic places and other priceless evidence of the past at very modest cost to the state. The funding requested in this project would also be an investment by the state to assure that the maximum amount of available federal dollars can be applied to Minnesota's historic preservation projects. Failure to do so could result in the loss of a significant amount of federal funds.

OTHER CONSIDERATIONS: Grants to preserve the evidence of Minnesota's past have been and will be used to make a very wide variety of historic resources available to the public. Examples include preservation of the Edna G. Tugboat in Two Harbors, and Alberta Teacherage in Stevens County. For the 1996 appropriation of \$750 thousand for County and Local Preservation Projects, the Society received a total of 40 applications representing \$1,634,528 million in requests. For the most recent grant rounds, applications far exceeded funds available. This clearly demonstrates the statewide needs for historic preservation funding as well as the ability and willingness of local groups to leverage state dollars.

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AGENCY CAPITAL BUDGET REQUEST
Fiscal Years 2000-2005
Dollars in Thousands (\$137,500 = \$138)

Project Cost

TOTAL PROJECT COSTS All Years and All Funding Sources	Project Costs All Prior Years	Project Costs FY 2000-01	Project Costs FY 2002-03	Project Costs FY 2004-05	Project Costs All Years	Project Start (Month/Year)	Project Finish (Month/Year)
1. Property Acquisition							
Land, Land and Easements, Options	\$0	\$0	\$0	\$0	\$0		
Buildings and Land	0	0	0	0	0		
SUBTOTAL	0	0	0	0	0		
2. Predesign							
SUBTOTAL	0	0	0	0	0		
3. Design Fees							
Schematic	0	0	0	0	0		
Design Development	0	0	0	0	0		
Contract Documents	0	0	0	0	0		
Construction Administration	0	0	0	0	0		
SUBTOTAL	0	0	0	0	0		
4. Project Management							
State Staff Project Management	0	0	0	0	0		
Construction Management	0	0	0	0	0		
SUBTOTAL	0	0	0	0	0		
5. Construction Costs							
Site & Building Preparation	0	0	0	0	0		
Demolition/Decommissioning	0	0	0	0	0		
Construction	0	0	0	0	0		
Infrastructure/Roads/Utilities	0	0	0	0	0		
Hazardous Material Abatement	0	0	0	0	0		
Construction Contingency	0	0	0	0	0		
SUBTOTAL	0	0	0	0	0		
6. Art							
SUBTOTAL	0	0	0	0	0		
7. Occupancy							
Furniture, Fixtures and Equipment	0	0	0	0	0		
Telecommunications (voice & data)	0	0	0	0	0		
Security Equipment	0	0	0	0	0		
Commissioning	0	0	0	0	0		
SUBTOTAL	0	0	0	0	0		
8. Inflation							
Midpoint of Construction							
Inflation Multiplier		0.00%	0.00%	0.00%			
Inflation Cost		0	0	0	0		
SUBTOTAL		0	0	0	0		
9. Other							
SUBTOTAL	4,800	1,000	4,000	4,000	13,800	07/2000	06/2002
GRAND TOTAL	\$4,800	\$1,000	\$4,000	\$4,000	\$13,800		

AGENCY CAPITAL BUDGET REQUEST
Fiscal Years 2000-2005
Dollars in Thousands (\$137,500 = \$138)

CAPITAL FUNDING SOURCES	Prior Years	FY 2000-01	FY 2002-03	FY 2004-05	TOTAL
State Funds :					
G.O Bonds/State Bldgs	2,400	500	2,000	2,000	6,900
State Funds Subtotal	2,400	500	2,000	2,000	6,900
Agency Operating Budget Funds	0	0	0	0	0
Federal Funds	0	0	0	0	0
Local Government Funds	0	0	0	0	0
Private Funds	2,400	500	2,000	2,000	6,900
Other	0	0	0	0	0
TOTAL	4,800	1,000	4,000	4,000	13,800

IMPACT ON STATE OPERATING COSTS	Current FY 2000-01	Projected Costs (Without Inflation)			
		FY 2000-01	FY 2002-03	FY 2004-05	FY 2006-07
Compensation -- Program and Building Operation	0	0	0	0	0
Other Program Related Expenses	0	0	0	0	0
Building Operating Expenses	0	0	0	0	0
State-Owned Lease Expenses	0	0	0	0	0
Nonstate-Owned Lease Expenses	0	0	0	0	0
Expenditure Subtotal	0	0	0	0	0
Revenue Offsets	0	0	0	0	0
TOTAL	0	0	0	0	0
Change from Current FY 2000-01		0	0	0	0
Change in F.T.E. Personnel		0.0	0.0	0.0	0.0

PREVIOUS STATE CAPITAL APPROPRIATIONS FOR THIS PROJECT (Legal Citations)	Amount
Laws of Minnesota (year), Chapter, Section, Subdivision	
Laws of 98, Chapter 404, Section 25, Subd. 3 County and Local Pres Pro	1,150
Laws of 96, Chapter 463, Section 22, Subd. 4 County and Local Pres Pro	750
Laws of 94, Chapter 643, Section 19, Subd. 4 County and Local Pres Pro	500

SOURCE OF FUNDS FOR DEBT SERVICE PAYMENTS (for bond-financed projects)	Amount	Percent of Total
General Fund	500	100.0%
User Financing	0	0.0%

STATUTORY AND OTHER REQUIREMENTS	
Project applicants should be aware that the following requirements will apply to their projects after adoption of the bonding bill.	
No	MS 16B.335 (1a): Construction/Major Remodeling Review (Legislature)
Yes	MS 16B.335 (1b): Project Exempt From This Review (Legislature)
No	MS 16B.335 (2): Other Projects (Legislative Notification)
No	MS 16B.335 (3): Predesign Requirement (Administration Dept)
No	MS 16B.335 (4): Energy Conservation Requirements (Agency)
No	MS 16B.335 (5): Information Technology Review (Office of Technology)
No	MS 16A.695: Use Agreement Required (Finance Dept)
No	MS 16A.695: Program Funding Review Required (Agency)
Yes	Matching Funds Required (as per agency request)

Department of Administration Analysis:

12/7/99

NA

Department of Finance Analysis:

This request is a continuation of a program that has been funded for the past three bienniums. It provides state dollars for the repair and maintenance of local historic sites. The grants are matched on a one to one basis.

Of the \$750 thousand appropriated in 1996, \$265 thousand had not been spent as of November, 1999. Of the \$1.15 million appropriated in 1998, \$1.10 million had not been spent as of November, 1999.

Governor's Recommendation:

The Governor does not recommend capital funds for this project.

STATEWIDE STRATEGIC SCORE		
Criteria	Values	Points
Critical Life Safety Emergency - Existing Hazards	0/700	0
Critical Legal Liability - Existing Liability	0/700	0
Prior Binding Commitment	0/700	0
Strategic Linkage - Agency Six Year Plan	0/40/80/120	120
Safety/Code Concerns	0/35/70/105	35
Customer Service/Statewide Significance	0/35/70/105	35
Agency Priority	0/25/50/75/100	50
User and Non-State Financing	0-100	50
State Asset Management	0/20/40/60	60
State Operating Savings or Operating Efficiencies	0/20/40/60	0
Contained in State Six-Year Planning Estimates	0/25/50	50
Total	700 Maximum	400

2000 STATE APPROPRIATION REQUEST: \$250

AGENCY PROJECT PRIORITY: 5 of 5

PROJECT LOCATION: Capitol Building - St. Paul - Ramsey County

PROJECT DESCRIPTION:

This project will provide for the preservation and restoration of the original 1905 furnishings in the Minnesota State Capitol. The project includes: 1) providing moving and storage expenses; 2) conducting a survey of all furnishings on the inventory, which includes chairs, desks, tables and sofas to determine necessary conservation measures to preserve them; 3) continuing the restoration of furnishings and lighting in the governor's reception room and office; 4) providing for emergency conservation measures of furnishings and works of art; and 5) completing the furnishings plan and beginning its implementation

PROJECT RATIONALE AND RELATIONSHIP TO AGENCY LONG-RANGE STRATEGIC PLAN AND CAPITAL PLAN:

Please refer to the Strategic Planning Summary for details about the Society's long-range plan.

As provided in M.S. Chapter 138.67-138.69, the Minnesota Historical Society has responsibility to preserve artwork in the State Capitol area, including custom designed chairs, desks, tables, and sofas. Over 800 of the original 1600 pieces of 1905 Capitol furniture designed or selected by architect Cass Gilbert are extant. Approximately 400 pieces are in daily use in public spaces of the Capitol. Many are used in offices in the Capitol and other state buildings, and many are in storage. Without funding for this project, the condition of the furniture will continue to deteriorate. This useable collection of original historic furniture, if restored, would enhance the appearance of public and ceremonial spaces as well as office spaces. Funds provided for this request will ensure that restoration and conservation measures on all furnishings will be in accord with standards set by the American Institute for Conservation of Historical and Artistic Works and will enable the Minnesota Historical Society to meet its statutory responsibilities. The conservation and preservation of these works of art and furnishings is essential for the integrity of the Capitol building and its public areas.

IMPACT ON AGENCY OPERATING BUDGETS (FACILITIES NOTE):

None.

OTHER CONSIDERATIONS:

Year 2005 marks the 100th anniversary of the Minnesota State Capitol. The Minnesota Historical Society, the Capitol Area Architectural and Planning Board, and Department of Administration are cooperating to prepare the building for its centennial celebration and to complete restoration plans. This furnishings request is an important component of that celebration.

PROJECT CONTACT PERSON, TITLE, ADDRESS, PHONE, FAX, AND E-MAIL:

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TOTAL PROJECT COSTS All Years and All Funding Sources	Project Costs All Prior Years	Project Costs FY 2000-01	Project Costs FY 2002-03	Project Costs FY 2004-05	Project Costs All Years	Project Start (Month/Year)	Project Finish (Month/Year)
1. Property Acquisition							
Land, Land and Easements, Options	\$0	\$0	\$0	\$0	\$0		
Buildings and Land	0	0	0	0	0		
SUBTOTAL	0	0	0	0	0		
2. Predesign	0	0	0	0	0		
SUBTOTAL	0	0	0	0	0		
3. Design Fees							
Schematic	0	0	0	0	0		
Design Development	0	0	0	0	0		
Contract Documents	0	0	0	0	0		
Construction Administration	0	0	0	0	0		
SUBTOTAL	0	0	0	0	0		
4. Project Management							
State Staff Project Management	0	0	0	0	0		
Construction Management	0	0	0	0	0		
SUBTOTAL	0	0	0	0	0		
5. Construction Costs							
Site & Building Preparation	0	0	0	0	0		
Demolition/Decommissioning	0	0	0	0	0		
Construction	0	0	0	0	0		
Infrastructure/Roads/Utilities	0	0	0	0	0		
Hazardous Material Abatement	0	0	0	0	0		
Construction Contingency	0	0	0	0	0		
SUBTOTAL	0	0	0	0	0		
6. Art	0	0	0	0	0		
SUBTOTAL	0	0	0	0	0		
7. Occupancy							
Furniture, Fixtures and Equipment	0	0	0	0	0		
Telecommunications (voice & data)	0	0	0	0	0		
Security Equipment	0	0	0	0	0		
Commissioning	0	0	0	0	0		
SUBTOTAL	0	0	0	0	0		
8. Inflation							
Midpoint of Construction							
Inflation Multiplier		0.00%	0.00%	0.00%			
Inflation Cost		0	0	0	0		
SUBTOTAL		0	0	0	0		
9. Other							
SUBTOTAL	0	250	150	150	550	07/2000	06/2002
GRAND TOTAL	\$0	\$250	\$150	\$150	\$550		

AGENCY CAPITAL BUDGET REQUEST
Fiscal Years 2000-2005
Dollars in Thousands (\$137,500 = \$138)

CAPITAL FUNDING SOURCES	Prior Years	FY 2000-01	FY 2002-03	FY 2004-05	TOTAL
State Funds :					
General Fund Projects	0	250	150	150	550
State Funds Subtotal	0	250	150	150	550
Agency Operating Budget Funds	0	0	0	0	0
Federal Funds	0	0	0	0	0
Local Government Funds	0	0	0	0	0
Private Funds	0	0	0	0	0
Other	0	0	0	0	0
TOTAL	0	250	150	150	550

IMPACT ON STATE OPERATING COSTS	Current FY 2000-01	Projected Costs (Without Inflation)			
		FY 2000-01	FY 2002-03	FY 2004-05	FY 2006-07
Compensation -- Program and Building Operation	0	0	0	0	0
Other Program Related Expenses	0	0	0	0	0
Building Operating Expenses	0	0	0	0	0
State-Owned Lease Expenses	0	0	0	0	0
Nonstate-Owned Lease Expenses	0	0	0	0	0
Expenditure Subtotal	0	0	0	0	0
Revenue Offsets	0	0	0	0	0
TOTAL	0	0	0	0	0
Change from Current FY 2000-01		0	0	0	0
Change in F.T.E. Personnel		0.0	0.0	0.0	0.0

SOURCE OF FUNDS FOR DEBT SERVICE PAYMENTS (for bond-financed projects)	Amount	Percent of Total
General Fund	0	0%
User Financing	0	0%

STATUTORY AND OTHER REQUIREMENTS	
Project applicants should be aware that the following requirements will apply to their projects after adoption of the bonding bill.	
No	MS 16B.335 (1a): Construction/Major Remodeling Review (Legislature)
Yes	MS 16B.335 (1b): Project Exempt From This Review (Legislature)
No	MS 16B.335 (2): Other Projects (Legislative Notification)
No	MS 16B.335 (3): Predesign Requirement (Administration Dept)
No	MS 16B.335 (4): Energy Conservation Requirements (Agency)
No	MS 16B.335 (5): Information Technology Review (Office of Technology)
No	MS 16A.695: Use Agreement Required (Finance Dept)
No	MS 16A.695: Program Funding Review Required (Agency)
No	Matching Funds Required (as per agency request)

Department of Administration Analysis:

12/7/99

NA

Department of Finance Analysis:

This project includes: 1) moving and storage expenses; 2) conducting a survey of all furnishings to determine necessary conservation measures to preserve them; 3) continuing the restoration of furnishings in the governor's reception room and office; 4) providing for emergency conservation measures of furnishings and works of art; and 5) completing the furnishings plan and beginning its implementation

The Minnesota State Capitol will celebrate its 100th anniversary in 2005. The Minnesota Historical Society, the Capitol Area Architectural and Planning Board, and Department of Administration are cooperating to prepare the building for its centennial celebration and to complete restoration plans. This furnishings request is an important component of that celebration.

Governor's Recommendation:

The Governor recommends a general fund appropriation of \$250 thousand for this project. Also included are budget planning estimates of \$150 thousand in 2002 and \$150 thousand in 2004.

STATEWIDE STRATEGIC SCORE		
Criteria	Values	Points
Critical Life Safety Emergency - Existing Hazards	0/700	0
Critical Legal Liability - Existing Liability	0/700	0
Prior Binding Commitment	0/700	0
Strategic Linkage - Agency Six Year Plan	0/40/80/120	80
Safety/Code Concerns	0/35/70/105	0
Customer Service/Statewide Significance	0/35/70/105	35
Agency Priority	0/25/50/75/100	25
User and Non-State Financing	0-100	0
State Asset Management	0/20/40/60	20
State Operating Savings or Operating Efficiencies	0/20/40/60	0
Contained in State Six-Year Planning Estimates	0/25/50	25
Total	700 Maximum	185