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State of Minnesota

HOUSE OF REPRESENTATIVES

NINETY-THIRD SESSION

H. F. No. 5162

03/25/2024 Authored by Lee, F., and Hansen, R.,
The bill was read for the first time and referred to the Committee on Capital Investment
05/02/2024 Adoption of Report: Amended and re-referred to the Committee on Ways and Means

1.1 A bill for an act
1.2 relating to capital investment; authorizing spending to acquire and better land and
1.3 buildings and for other improvements of a capital nature with certain conditions;
1.4 establishing and modifying programs; canceling prior appropriations; appropriating
1.5 money; amending Minnesota Statutes 2022, sections 16A.86, subdivisions 3a, 4;
1.6 16B.325, as amended; 16B.335, subdivision 4; Minnesota Statutes 2023
1.7 Supplement, section 174.38, subdivision 3; Laws 2023, chapter 71, article 1, section
1.8 6, subdivision 4; proposing coding for new law in Minnesota Statutes, chapters
1.9 16A; 16B; 144; 473.

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

1.11 ARTICLE 1
1.12 APPROPRIATIONS

1.13 Section 1. CAPITAL IMPROVEMENT APPROPRIATIONS.

1.14 (a) The sums shown in the column under "Appropriations" are appropriated from the
1.15 general fund in fiscal year 2025 to the state agencies or officials indicated, to be spent for
1.16 public purposes. These are onetime appropriations. Money appropriated in this act is available
1.17 until the project is completed or abandoned, subject to Minnesota Statutes, section 16A.642.

1.18 (b) For any project funded in whole or in part by this act, workers on the project must
1.19 be paid at least the prevailing wage rate as defined in Minnesota Statutes, section 177.42,
1.20 subdivision 6, and the project is subject to the requirements and enforcement provisions in
1.21 Minnesota Statutes, sections 177.27, 177.30, 177.32, and 177.41 to 177.45. For the purposes
1.22 of this act, "project" means demolition, erection, construction, remodeling, or repairing of
1.23 a public building, facility, or other public work financed in whole or part by state funds.
1.24 Project also includes demolition, erection, construction, remodeling, or repairing of a

2.1 building, facility, or public work when the acquisition of property, predesign, design, or
 2.2 demolition is financed in whole or in part by state funds.

2.3 (c) Money appropriated in this act: (1) is available for a grant after the commissioner of
 2.4 management and budget determines that an amount sufficient to complete the project as
 2.5 described in this act has been committed to the project, as required by Minnesota Statutes,
 2.6 section 16A.502; (2) may be used to pay state agency staff costs that are attributed directly
 2.7 to the capital program or project for capitalizable staff costs; and (3) is subject to the policies
 2.8 and procedures adopted by the commissioner of management and budget or otherwise
 2.9 specified in applicable law.

2.10 (d) Recipients of grants from money appropriated in this act must demonstrate to the
 2.11 commissioner of the agency making the grant that the recipient has the ability and a plan
 2.12 to fund the program intended for the facility. This paragraph does not apply to state agencies.

2.13 **APPROPRIATIONS**

2.14 **Sec. 2. EDUCATION** **\$ 23,025,000**

2.15 To the commissioner of education for library
 2.16 construction grants under Minnesota Statutes,
 2.17 section 134.45.

2.18 **Sec. 3. ADMINISTRATION**

2.19 **Subdivision 1. Total Appropriation** **\$ 5,050,000**

2.20 To the commissioner of administration for the
 2.21 purposes specified in this section.

2.22 **Subd. 2. ADA Building Accommodation** **750,000**

2.23 For capital improvement expenses in
 2.24 accordance with Minnesota Statutes, section
 2.25 16B.4805.

2.26 **Subd. 3. Sustainable Building Guidelines** **4,300,000**

2.27 To develop, oversee, and administer
 2.28 sustainable building guidelines under
 2.29 Minnesota Statutes, section 16B.325, in
 2.30 consultation with the commissioner of
 2.31 commerce and the Center for Sustainable
 2.32 Building Research at the University of

3.1 Minnesota. This appropriation includes money
 3.2 for the commissioner of administration to
 3.3 contract with the Center for Sustainable
 3.4 Building Research to administer the
 3.5 guidelines. This is a onetime appropriation
 3.6 and is available until June 30, 2027.

3.7 **Sec. 4. METROPOLITAN COUNCIL** **\$** **4,080,000**

3.8 To the Metropolitan Council for community
 3.9 tree planting grants under Minnesota Statutes,
 3.10 section 473.355. Notwithstanding Minnesota
 3.11 Statutes, section 473.355, this appropriation
 3.12 must be used to remove and replace ash trees
 3.13 on privately owned land that pose significant
 3.14 public safety concerns.

3.15 **Sec. 5. HUMAN SERVICES**

3.16 **Subdivision 1. Total Appropriation** **\$** **2,000,000**

3.17 To the commissioner of human services for
 3.18 the purposes specified in this section.

3.19 **Subd. 2. Early Childhood Facilities** **2,000,000**

3.20 For grants under Minnesota Statutes, section
 3.21 256E.37, to predesign, design, construct,
 3.22 renovate, furnish, and equip early childhood
 3.23 learning facilities.

3.24 **Sec. 6. HEALTH** **\$** **100,000**

3.25 To the commissioner of health to administer
 3.26 the secondary sources of drinking water grant
 3.27 program under Minnesota Statutes, section
 3.28 144.3835.

3.29 **Sec. 7. CORRECTIONS** **\$** **3,906,000**

3.30 To the commissioner of administration for
 3.31 asset preservation improvements and
 3.32 betterments of a capital nature at the
 3.33 Minnesota correctional facilities statewide to

4.1 be spent in accordance with Minnesota
 4.2 Statutes, section 16B.307. Notwithstanding
 4.3 the specified uses of money under Minnesota
 4.4 Statutes, section 16B.307, the commissioner
 4.5 may use this appropriation for capital
 4.6 expenditures allowed under Minnesota
 4.7 Statutes, section 16B.307, that do not
 4.8 constitute betterments and capital
 4.9 improvements within the meaning of the
 4.10 Minnesota Constitution, article XI, section 5,
 4.11 clause (a). The report required under
 4.12 Minnesota Statutes, section 16B.307,
 4.13 subdivision 2, must include a list of projects
 4.14 that have been paid for with this appropriation.

4.15 **Sec. 8. EMPLOYMENT AND ECONOMIC**
 4.16 **DEVELOPMENT**

\$ 1,000,000

4.17 To the commissioner of employment and
 4.18 economic development for a grant to the Saint
 4.19 Paul and Minnesota Foundation for promotion,
 4.20 fundraising, and other supporting efforts to
 4.21 raise at least \$5,000,000 in nonstate funds
 4.22 toward capital improvements consistent with
 4.23 the Capitol Mall Design Framework update.
 4.24 This grant shall be managed in compliance
 4.25 with the grantmaking requirements in
 4.26 Minnesota Statutes, sections 16B.97 to
 4.27 16B.991.

4.28 **Sec. 9. CANCELLATIONS.**

4.29 The amounts of the general fund appropriations listed in the cancellation report submitted
 4.30 to the legislature in January 2024, pursuant to Minnesota Statutes, section 16A.642, are
 4.31 canceled on the effective date of this section. If an appropriation in this section is canceled
 4.32 more than once, the cancellation must be given effect only once.

5.1 Sec. 10. EFFECTIVE DATE.

5.2 Except as otherwise provided, this article is effective the day following final enactment.

5.3 **ARTICLE 2**5.4 **MISCELLANEOUS**

5.5 Section 1. Minnesota Statutes 2022, section 16A.86, subdivision 3a, is amended to read:

5.6 Subd. 3a. **Information provided.** All requests for state assistance under this section
5.7 must include the following information:

5.8 (1) the name of the political subdivision that will own the capital project for which state
5.9 assistance is being requested;

5.10 (2) the public purpose of the project;

5.11 (3) the extent to which the political subdivision has or expects to provide local, private,
5.12 user financing, or other nonstate funding for the project;

5.13 (4) a list of the bondable activities that the project encompasses; examples of bondable
5.14 activities are public improvements of a capital nature for land acquisition, predesign, design,
5.15 construction, and furnishing and equipping for occupancy;

5.16 (5) whether the project will require new or additional state operating subsidies;

5.17 (6) whether the governing body of the political subdivision requesting the project has
5.18 passed a resolution in support of the project and has established priorities for all projects
5.19 within its jurisdiction for which bonding appropriations are requested when submitting
5.20 multiple requests;

5.21 (7) if the project requires a predesign under section 16B.335, whether the predesign has
5.22 been completed at the time the capital project request is submitted, and whether the political
5.23 subdivision has submitted the project predesign to the commissioner of administration for
5.24 review and approval; ~~and~~

5.25 (8) the debt capacity of the political subdivision, calculated as the difference between
5.26 the maximum net debt that the political subdivision may incur under chapter 475 or other
5.27 applicable law and the debt the political subdivision has outstanding as of the date of the
5.28 submission of information under this subdivision; and

5.29 ~~(8)~~ (9) if applicable, the information required under section 473.4485, subdivision 1a.

6.1 Sec. 2. Minnesota Statutes 2022, section 16A.86, subdivision 4, is amended to read:

6.2 Subd. 4. **Funding.** (a) The state share of a project covered by this section and any capital
6.3 project grant to a nonprofit organization subject to section 16A.642 must be no more than
6.4 half the total cost of the project, including predesign, design, construction, furnishings, and
6.5 equipment, except as provided in paragraph (b) or (c). This subdivision does not apply to
6.6 a project proposed by a school district or other school organization. The state share of a
6.7 project includes state assistance in any manner, including but not limited to a direct
6.8 appropriation, a grant awarded through a grant program administered by a state entity, or
6.9 a combination of state assistance appropriated and granted by multiple state entities. The
6.10 nonstate share of a project may be funded by federal, local, private, or other funds, or a
6.11 combination thereof, from nonstate sources.

6.12 (b) The state share may be more than half the total cost of a project if the project is
6.13 deemed needed as a result of a disaster or to prevent a disaster or is located in a political
6.14 subdivision with a very low average net tax capacity.

6.15 (c) Nothing in this section prevents the governor from recommending, or the legislature
6.16 from considering or funding, projects that do not meet the deadline in subdivision 2 or a
6.17 state share that is greater than half the total cost of the project when the governor or the
6.18 legislature determines that there is a compelling reason for the recommendation or funding.

6.19 Sec. 3. **[16A.865] NOTICE OF STATE CONTRIBUTION.**

6.20 Subdivision 1. Notice required. When practicable, a recipient of a grant of state bond
6.21 proceeds for a capital project or a direct recipient of an appropriation from any state funds
6.22 for a capital project must prominently display a notice on the property stating that the project
6.23 was funded with state taxes collected statewide.

6.24 Subd. 2. Content of notice. The notice must display the logo provided by the
6.25 commissioner under subdivision 5, and identify the project as "funded with a grant of state
6.26 money from taxes collected statewide." The notice may include a brief name for the project
6.27 and may specify the proportion of the funding from state money compared to money from
6.28 nonstate sources. The notice may include logos, seals, or marks of other contributors to the
6.29 cost of the project.

6.30 Subd. 3. Water infrastructure project. For a drinking water or wastewater infrastructure
6.31 project, the notice required under this section must be included on city utility billing
6.32 statements in all formats that the city provides billing statements to customers.

7.1 Subd. 4. **Performance venues.** For performance venue projects, the notice must be
7.2 included in programs and on the venue's website where performances are advertised, in
7.3 addition to on a sign posted at the venue.

7.4 Subd. 5. **Logo.** The commissioner must develop a logo for use on signs required under
7.5 subdivision 1.

7.6 Subd. 6. **Sign templates.** The commissioner must post on its website downloadable,
7.7 print-ready PDF files of sign templates that meet the requirements of subdivision 1.

7.8 **EFFECTIVE DATE.** This section is effective the day following final enactment and
7.9 applies to projects receiving a grant from an appropriation enacted after January 1, 2024.

7.10 Sec. 4. Minnesota Statutes 2022, section 16B.325, as amended by Laws 2023, chapter 60,
7.11 article 12, section 2, is amended to read:

7.12 **16B.325 SUSTAINABLE BUILDING GUIDELINES.**

7.13 Subdivision 1. ~~Development of Sustainable building guidelines.~~ The Department of
7.14 Administration and the Department of Commerce, with the assistance of other agencies,
7.15 shall develop and maintain sustainable building design guidelines for all new state buildings
7.16 ~~by January 15, 2003,~~ and for all major renovations of state buildings ~~by February 1, 2009.~~
7.17 ~~The primary objectives of these guidelines are to ensure that all new state buildings, and~~
7.18 ~~major renovations of state buildings, initially exceed the state energy code, as established~~
7.19 ~~in Minnesota Rules, chapter 7676, by at least 30 percent.~~

7.20 Subd. 1a. **Definitions.** (a) For the purposes of this section, the following terms have the
7.21 meanings given.

7.22 (b) "CSBR" means the Center for Sustainable Building Research at the University of
7.23 Minnesota.

7.24 (c) "Guidelines" means the sustainable building design guidelines developed under this
7.25 section.

7.26 (d) "Major renovation" means a project that:

7.27 (1) has a renovated conditioned area that is at least 10,000 square feet; and

7.28 (2) includes, at a minimum, the replacement of the mechanical, ventilation, or cooling
7.29 system of a building or a section of a building, whether or not the building is served by an
7.30 adjacent building or district system impacted by the scope of the project.

8.1 (e) "New building" means a newly constructed structure and additions to existing
8.2 buildings that include spaces that meet the following criteria:

8.3 (1) space is conditioned, whether or not its source of energy is from an adjacent building
8.4 or district system; and

8.5 (2) the project size is at least 10,000 gross square feet of conditioned space.

8.6 (f) "Project" means the acquisition or betterment of buildings or other fixed assets and
8.7 other improvements of a capital nature.

8.8 ~~Subd. 2. **Lowest possible cost; energy conservation.** The guidelines must:~~

8.9 ~~(1) focus on achieving the lowest possible lifetime cost, considering both construction~~
8.10 ~~and operating costs, for new buildings and major renovations;~~

8.11 ~~(2) allow for revisions that encourage continual energy conservation improvements in~~
8.12 ~~new buildings and major renovations;~~

8.13 ~~(3) define "major renovations" for purposes of this section to encompass not less than~~
8.14 ~~10,000 square feet or not less than the replacement of the mechanical, ventilation, or cooling~~
8.15 ~~system of a building or a building section;~~

8.16 ~~(4) establish sustainability guidelines that include air quality and lighting standards and~~
8.17 ~~that create and maintain a healthy environment and facilitate productivity improvements;~~

8.18 ~~(5) establish resiliency guidelines to encourage design that allows buildings to adapt to~~
8.19 ~~and accommodate projected climate-related changes that are reflected in both acute events~~
8.20 ~~and chronic trends, including but not limited to changes in temperature and precipitation~~
8.21 ~~levels;~~

8.22 ~~(6) specify ways to reduce material costs; and~~

8.23 ~~(7) consider the long-term operating costs of the building, including the use of renewable~~
8.24 ~~energy sources and distributed electric energy generation that uses a renewable source or~~
8.25 ~~natural gas or a fuel that is as clean or cleaner than natural gas.~~

8.26 Subd. 2a. **Guidelines; purpose.** (a) The primary objectives of the guidelines are to:

8.27 (1) reduce greenhouse gas emissions across the project's life cycle by promoting the
8.28 design and operation of energy-efficient buildings and the development of renewable energy
8.29 sources;

8.30 (2) provide high-quality indoor environmental conditions to promote occupant health,
8.31 well-being, comfort, and productivity;

9.1 (3) develop processes that ensure that projects are designed and operating as intended
9.2 and that project impact can be measured;

9.3 (4) reduce water use and impacts on water resources;

9.4 (5) restore soil and water quality, enhance biodiversity, and provide sites supportive of
9.5 native species;

9.6 (6) reduce the embodied environmental impact of building materials; and

9.7 (7) encourage design that allows building resilience to adapt to and accommodate
9.8 projected changes that are reflected in both acute events and chronic trends, including but
9.9 not limited to climate-related changes to temperature and precipitation levels.

9.10 (b) In establishing the guidelines, the commissioners of administration and commerce
9.11 must consider the following to meet the objectives in paragraph (a):

9.12 (1) the health and well-being of occupants;

9.13 (2) material impacts and sustainability;

9.14 (3) construction and operating costs;

9.15 (4) the use of renewable energy sources;

9.16 (5) diversion of waste from landfills;

9.17 (6) the impact of climate change;

9.18 (7) biodiversity and ecological impacts;

9.19 (8) resilience and adaptability; and

9.20 (9) any other factors the commissioner deems relevant.

9.21 Subd. 3. **Development of guidelines; Applicability.** ~~In developing the guidelines, the~~
9.22 ~~departments shall use an open process, including providing the opportunity for public~~
9.23 ~~comment.~~ (a) Compliance with the guidelines established under this section are mandatory
9.24 for all new buildings and for all major renovations receiving funding an appropriation or a
9.25 grant from an appropriation from the bond proceeds fund after January 1, 2004, and for all
9.26 major renovations receiving funding from the bond proceeds fund after January 1, 2009.

9.27 (b) Compliance with the guidelines established under this section are mandatory for all
9.28 new buildings and for all major renovations receiving an appropriation or a grant from an
9.29 appropriation from the general fund after May 1, 2024.

10.1 Subd. 4. **Commissioner of administration; guideline administration, oversight, and**
10.2 **revisions.** ~~The commissioners of administration and commerce shall review the guidelines~~
10.3 ~~periodically and as soon as practicable revise the guidelines to incorporate performance~~
10.4 ~~standards developed under section 216B.241, subdivision 9.~~ (a) The commissioner of
10.5 administration must review and amend the guidelines periodically to better meet the goals
10.6 under subdivision 6. Each guideline section must be reviewed and updated no less than once
10.7 every five years. The review must be conducted with the commissioner of commerce and
10.8 in consultation with other stakeholders. The commissioner of administration and the
10.9 commissioner of commerce must use an open process, including providing the opportunity
10.10 for public comment, when reviewing and amending the guidelines.

10.11 (b) The commissioner of administration is responsible for the following:

10.12 (1) making applicability determinations on which projects are required by state law to
10.13 follow the guidelines upon receipt of an applicability determination request from a project;

10.14 (2) approving or denying waiver requests for specific guidelines;

10.15 (3) approving or denying applicability requests for specific guidelines;

10.16 (4) updating the legislature regarding program outcomes;

10.17 (5) coordinating with the commissioner of commerce on the energy and atmosphere
10.18 guidelines, including coordination with the Sustainable Building 2030 Energy Standards
10.19 under section 216B.241, subdivision 9; and

10.20 (6) contracting with CSBR for the items in subdivision 5.

10.21 Subd. 5. **CSBR; guideline administration and oversight.** (a) The commissioner of
10.22 administration, in consultation with the commissioner of commerce, shall contract with
10.23 CSBR to implement the guidelines. At a minimum, CSBR must:

10.24 (1) maintain and update the guidelines in coordination with the commissioner of
10.25 administration and the commissioner of commerce;

10.26 (2) offer training on an annual basis to state agencies, project team members, and other
10.27 entities involved in the design of projects subject to the guidelines on how projects may
10.28 meet the guideline requirements;

10.29 (3) develop procedures for compliance with the guidelines, in accordance with the criteria
10.30 under subdivision 7;

10.31 (4) periodically conduct post-construction performance evaluations on projects to evaluate
10.32 the effectiveness of the guidelines in meeting the goals under subdivision 6;

- 11.1 (5) determine compliance of project designs with the guidelines;
- 11.2 (6) administer a tracking system for all projects subject to the guidelines and for projects
11.3 that received state funding for predesign or design that may seek further state funding for
11.4 additional project phases subject to the guidelines;
- 11.5 (7) develop and track measurable goals for the guidelines in accordance with subdivision
11.6 6;
- 11.7 (8) offer outreach, training, and technical assistance to state agencies, project team
11.8 members, and other entities with responsibility for managing, designing, and overseeing
11.9 projects subject to the guidelines;
- 11.10 (9) evaluate waiver requests and determinations on project scope and make
11.11 recommendations to the commissioner of administration;
- 11.12 (10) provide a report on or before December 1 annually to the commissioner of
11.13 administration on the following:
- 11.14 (i) the current compliance status of all projects subject to the guidelines;
- 11.15 (ii) an analysis of the effects of the guidelines on the goals under subdivision 6; and
- 11.16 (iii) waivers approved for projects, including both waivers from all of the guidelines
11.17 and waivers of individual guidelines; and
- 11.18 (11) perform any other duties required by the commissioner of administration to
11.19 administer the guidelines.
- 11.20 (b) State agencies, project team members, and other entities that are responsible for
11.21 managing or designing projects subject to the guidelines must provide any compliance data
11.22 requested by CSBR and the commissioner of administration that CSBR and the commissioner
11.23 deem necessary to fulfill the duties described under this subdivision.
- 11.24 Subd. 6. **Measurable goals.** CSBR, in collaboration with the commissioner of
11.25 administration and the commissioner of commerce, must develop measurable goals for the
11.26 guidelines based on the objectives and considerations described in subdivision 2a. The
11.27 commissioner of administration must provide final approval of the goals under this
11.28 subdivision.
- 11.29 Subd. 7. **Procedures.** The commissioner of administration must develop procedures for
11.30 the administration of the guidelines. The commissioner of administration may delegate
11.31 guideline administration responsibilities to state agencies. The procedures under this

12.1 subdivision must specify the administrative activities for which state agencies are responsible.

12.2 The procedures must include:

12.3 (1) criteria to identify whether a project is subject to the guidelines;

12.4 (2) information on project team member roles and guideline administration requirements

12.5 for each role;

12.6 (3) a process to notify projects subject to the guidelines of the guideline requirements;

12.7 (4) a guideline-related data submission process coordinated by the commissioner of

12.8 administration;

12.9 (5) activities and a timeline to monitor project compliance with the guidelines; and

12.10 (6) record-keeping requirements and related retention schedules for materials related to

12.11 guideline compliance.

12.12 Subd. 8. **Guidelines waivers and scope determination.** (a) The commissioner of
12.13 administration, in consultation with the commissioner of commerce and other stakeholders,
12.14 must develop a process for reviewing and approving waivers and scope determinations to
12.15 the guidelines.

12.16 (b) A waiver may apply to all of the guidelines or individual guidelines and may identify
12.17 an alternative path of meeting the intent of the guidelines.

12.18 (c) A waiver under this subdivision is only permitted due to technological limitations
12.19 or when the intended use of the project conflicts with the guidelines.

12.20 (d) A waiver request for a project owned by a state agency must be reviewed and
12.21 approved by the commissioner of administration. If the waiver request is for a project owned
12.22 by the Department of Administration, the waiver request must be approved by the
12.23 commissioner of commerce.

12.24 Subd. 9. **Report.** The commissioner of administration must report to the chairs and
12.25 ranking minority members of the house of representatives and senate committees with
12.26 jurisdiction over capital investment and climate and energy by February 1 of each year. The
12.27 report must include:

12.28 (1) information on the current status of all projects subject to the guidelines from the
12.29 previous five years and the projects' compliance with the guidelines;

12.30 (2) an analysis of the effects of the guidelines on the measurable goals under subdivision
12.31 6;

13.1 (3) progress made toward the recommendations in the report required under Laws 2023,
13.2 chapter 71, article 1, section 6, subdivision 4; and

13.3 (4) any other information the commissioner of administration deems relevant.

13.4 **EFFECTIVE DATE.** This section is effective July 1, 2024.

13.5 Sec. 5. Minnesota Statutes 2022, section 16B.335, subdivision 4, is amended to read:

13.6 Subd. 4. **Sustainable buildings; energy conservation.** A recipient to whom a direct
13.7 appropriation is made for a capital improvement project shall ensure that the project complies
13.8 with the applicable sustainable building guidelines and energy conservation standards
13.9 contained in law, including sections 16B.325 and 216C.19 to 216C.20, and rules adopted
13.10 thereunder. The recipient may obtain information and technical assistance from the
13.11 commissioner of administration on the sustainable building guidelines and the State Energy
13.12 Office in the Department of Commerce on energy conservation and alternative energy
13.13 development relating to the planning and construction of the capital improvement project.

13.14 **EFFECTIVE DATE.** This section is effective July 1, 2024.

13.15 Sec. 6. **[16B.336] CAPITAL PROJECT REPLACEMENT ACCOUNTS.**

13.16 **Subdivision 1. Definitions.** (a) For the purposes of this section, the following terms have
13.17 the meanings given.

13.18 (b) "Adjusted net tax capacity" means, as of any date, the net tax capacity of all taxable
13.19 property most recently determined by the commissioner of revenue in accordance with
13.20 section 273.1325.

13.21 (c) "Adjusted net tax capacity per capita" means a political subdivision's adjusted net
13.22 tax capacity divided by the political subdivision's population.

13.23 (d) "Commissioner" means the commissioner of administration.

13.24 (e) "Population" has the meaning under section 477A.011, subdivision 3.

13.25 (f) "Preservation" means improvements and betterments of a capital nature consistent
13.26 with those described in section 16B.307, subdivision 1, paragraph (d).

13.27 **Subd. 2. Replacement account establishment.** (a) A grantee that receives a direct
13.28 appropriation of state money for a capital project subject to section 16A.642, 16A.695, or
13.29 16A.86 must establish a capital project replacement fund for major rehabilitation, expansion,
13.30 replacement, or preservation of the capital project once the project has reached its useful
13.31 life, or another use as permitted under this section. Money must remain in the account for

14.1 the useful life of the capital project, as determined by the grant agreement with the granting
14.2 state agency, unless use of the fund is approved in writing by the granting state agency for
14.3 major rehabilitation, expansion, replacement, or preservation of the capital project funded
14.4 with state money, or to address a capital project for a different capital asset owned by the
14.5 grantee.

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

14.8 (1) the risks to be mitigated or managed by the fund;

14.9 (2) the intended use of the replacement fund, including but not limited to how the fund
14.10 will be used for major rehabilitation, expansion, replacement, or preservation of the capital
14.11 project; and

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

14.15 (c) For the purposes of this section, "grantee" does not include a state agency, state
14.16 official, the Board of Regents of the University of Minnesota, or the Board of Trustees of
14.17 the Minnesota State Colleges and Universities.

14.18 Subd. 3. **Minimum deposits; fund balance.** (a) The commissioner must determine the
14.19 annual minimum deposit amounts into capital project replacement funds by capital project
14.20 type. The commissioner must take into account depreciation, construction cost inflation,
14.21 the useful life of the capital project, and other relevant factors when determining the minimum
14.22 deposit amounts.

14.23 (b) A grantee must not be required to maintain a capital project replacement fund balance
14.24 greater than the amount of the direct appropriation of state money for the capital project.

14.25 Subd. 4. **Account auditing.** The state auditor may audit capital project replacement
14.26 accounts as part of the regular audits of local governments.

14.27 Subd. 5. **Exceptions.** (a) Capital projects that already require a replacement fund under
14.28 section 446A.072, subdivision 12, or any other law, rule, or ordinance, are exempt from the
14.29 requirements under this section, so long as the deposits into the replacement fund are at
14.30 least as large as the minimum deposits established by the commissioner under subdivision
14.31 3.

14.32 (b) This section does not apply to a grantee that assesses the condition and replacement
14.33 value of its capital projects through a capital funding budget process which includes an

15.1 annual long-term budget schedule or capital improvement plan for maintaining capital
15.2 projects subject to section 16A.642, 16A.695, or 16A.86.

15.3 (c) This section does not apply to a political subdivision grantee that has an adjusted net
15.4 tax capacity per capita that is less than the median adjusted net tax capacity per capita of
15.5 all political subdivisions that are the same type of political subdivision as the grantee.

15.6 Subd. 6. **Penalty.** Failure of a grantee to comply with the requirements of this section
15.7 shall result in the granting state agency assessing a penalty fee to the grantee equal to one
15.8 percent of the appropriation of state money for the capital project for each year of
15.9 noncompliance. Penalty fees shall be remitted by the granting state agency to the
15.10 commissioner of management and budget for deposit into the general fund.

15.11 **EFFECTIVE DATE.** This section is effective for capital projects funded through state
15.12 capital project grant agreements entered into on or after July 1, 2024.

15.13 Sec. 7. **[144.3835] SECONDARY SOURCES OF DRINKING WATER GRANT**
15.14 **PROGRAM.**

15.15 Subdivision 1. **Definitions.** (a) For the purposes of this section, the following terms have
15.16 the meanings given.

15.17 (b) "Community water system" means a public water system owned by a political
15.18 subdivision which serves at least 15 service connections used by year-round residents or
15.19 regularly serves at least 25 year-round residents.

15.20 (c) "Supplemental demographic index" means an index in the Environmental Justice
15.21 Screening and Mapping Tool developed by the United States Environmental Protection
15.22 Agency that is based on socioeconomic indicators, including low income, unemployment,
15.23 less than high school education, limited English speaking, and low life expectancy.

15.24 Subd. 2. **Establishment; purpose.** The commissioner shall develop a grant program for
15.25 the purpose of providing communities with a secondary source of drinking water that ensures
15.26 an uninterrupted supply of safe drinking water in case of a disruptive event.

15.27 Subd. 3. **Grants authorized.** (a) The commissioner shall award grants to community
15.28 water systems that currently only have one well as a source of drinking water. The
15.29 commissioner shall prescribe the content, form, and manner of a grant application under
15.30 this section and shall examine and consider all applications for grants. If the commissioner
15.31 determines that a community water system is ineligible for a grant under this section, the
15.32 commissioner must promptly notify the community water system in writing of the
15.33 determination and the reasons for the determination.

16.1 (b) Priority shall be given to community water systems that meet the following criteria:

16.2 (1) the population served is 3,300 or less;

16.3 (2) the community water system plans to use the funds for a backup well; and

16.4 (3) the community water system is located in a census block or blocks with a supplemental
16.5 demographic index score of 70 percent or greater.

16.6 Subd. 4. **Grant allocation.** Grantees must use the funds to secure a secondary source
16.7 of drinking water such as a backup well or other secondary source of drinking water that
16.8 allows the community water system to continue to provide drinking water in case of a
16.9 disruptive event such as a well failure or contamination.

16.10 Sec. 8. Minnesota Statutes 2023 Supplement, section 174.38, subdivision 3, is amended
16.11 to read:

16.12 Subd. 3. **Active transportation accounts.** (a) An active transportation account is
16.13 established in the special revenue fund. The account consists of funds provided by law and
16.14 any other money donated, allotted, transferred, or otherwise provided to the account. Money
16.15 in the account is annually appropriated to the commissioner and must be expended only on
16.16 projects that receive financial assistance under this section.

16.17 (b) An active transportation account is established in the bond proceeds fund. The account
16.18 consists of state bond proceeds appropriated to the commissioner. Money in the account
16.19 may only be expended on bond-eligible costs of a project receiving financial assistance as
16.20 provided under this section. Money in the account may only be expended on a project that
16.21 is publicly owned.

16.22 ~~(c) An active transportation account is established in the general fund. The account~~
16.23 ~~consists of money as provided by law and any other money donated, allotted, transferred,~~
16.24 ~~or otherwise provided to the account. Money in the account may only be expended on a~~
16.25 ~~project receiving financial assistance as provided under this section.~~

16.26 Sec. 9. [473.355] COMMUNITY TREE-PLANTING GRANTS.

16.27 Subdivision 1. **Definitions.** (a) For the purposes of this section, the following terms have
16.28 the meanings given them.

16.29 (b) "Shade tree" means a woody perennial grown primarily for aesthetic or environmental
16.30 purposes with minimal to residual timber value.

17.1 (c) "Supplemental demographic index" means an index in the Environmental Justice
 17.2 Screening and Mapping Tool developed by the United States Environmental Protection
 17.3 Agency that is based on socioeconomic indicators, including low income, unemployment,
 17.4 less than high school education, limited English speaking, and low life expectancy.

17.5 Subd. 2. **Grants.** (a) The Metropolitan Council must establish a grant program to provide
 17.6 grants to cities, counties, townships, Tribal governments, and implementing agencies for
 17.7 the following purposes:

17.8 (1) removing and planting shade trees on public or Tribal land to provide environmental
 17.9 benefits;

17.10 (2) replacing trees lost to forest pests, disease, or storms; or

17.11 (3) establishing a more diverse community forest better able to withstand disease and
 17.12 forest pests.

17.13 (b) Any tree planted with money granted under this section must be a climate-adapted
 17.14 species to Minnesota.

17.15 Subd. 3. **Priority.** (a) Priority for grants awarded under this section must be given to:

17.16 (1) projects removing and replacing ash trees that pose significant public safety concerns;
 17.17 and

17.18 (2) projects located in a census block or blocks with a supplemental demographic index
 17.19 score of 70 percent or greater.

17.20 (b) The Metropolitan Council may not prioritize projects based on criteria other than
 17.21 the criteria established under paragraph (a).

17.22 Subd. 4. **Eligible projects.** (a) The proceeds of state general obligation bonds may only
 17.23 be expended for grants to cities, counties, townships, and implementing agencies.

17.24 (b) Appropriations from the general fund may be expended for grants to Tribal
 17.25 governments, cities, counties, townships, and implementing agencies.

17.26 Sec. 10. Laws 2023, chapter 71, article 1, section 6, subdivision 4, is amended to read:

17.27 **Subd. 4. Sustainable Building Guidelines;**
 17.28 **Recommendations and Report** 304,000

17.29 To develop recommendations for updating
 17.30 goals, measuring project performance in
 17.31 meeting the goals, applicability, compliance,

18.1 waivers, outreach, and administration of the
18.2 sustainable building guidelines under
18.3 Minnesota Statutes, section 16B.325, in
18.4 collaboration with the commissioner of
18.5 commerce and the Center for Sustainable
18.6 Building Research at the University of
18.7 Minnesota. The commissioner of
18.8 administration may contract with the
18.9 commissioner of commerce and the Center
18.10 for Sustainable Building Research at the
18.11 University of Minnesota for assistance in
18.12 developing the recommendations, including
18.13 obtaining input from public owners, nonprofit
18.14 owners, design professionals, and other
18.15 stakeholders. The commissioner of
18.16 administration must provide a report of
18.17 findings and recommendations to the chairs
18.18 and ranking minority members of the
18.19 legislative committees with jurisdiction over
18.20 capital investment, energy finance and policy,
18.21 and environment finance and policy on or
18.22 before October 15, 2023. Upon completion of
18.23 development of the recommendations, any
18.24 remaining funds may be utilized to begin
18.25 implementation of the recommendations.

18.26 Sec. 11. **CAPITOL MALL DESIGN FRAMEWORK UPDATE; MATCHING FUNDS.**

18.27 Subdivision 1. Definitions. (a) For the purposes of this section, the following terms have
18.28 the meanings given.

18.29 (b) "Capitol Mall Design Framework update" means the Capitol Mall Design Framework
18.30 update required by Laws 2023, chapter 62, article 2, section 124.

18.31 (c) "Nonstate funds" means money secured from private sources, including individuals
18.32 and businesses, toward the Capitol Mall Design Framework update.

19.1 Subd. 2. Capitol Mall Design Framework; use of nonstate funds. (a) Nonstate funds
19.2 must be used to predesign, design, construct, furnish, and equip improvements and
19.3 betterments of a capital nature consistent with the Capitol Mall Design Framework update.

19.4 (b) The commissioner of administration shall coordinate the expenditure of nonstate
19.5 funds toward the Capitol Mall Design Framework update improvements. Any unspent
19.6 nonstate funds may be used by the commissioner of administration for improvements and
19.7 betterments of a capital nature consistent with the Capitol Mall Design Framework update.

19.8 **Sec. 12. EFFECTIVE DATE.**

19.9 Except as otherwise provided, this article is effective the day following final enactment.