



DATE: February 12, 2020

TO: Commissioner Myron Frans, Minnesota Management and Budget
Legislative Committee Chairs, per M.S. 16A.632, Subdivision 4

FROM: Commissioner Alice Roberts-Davis, Department of Administration

SUBJECT: 2019 Capital Asset Preservation and Replacement Account (CAPRA)
Summary Report

Pursuant to Minnesota Statutes 16A.632, Subdivision 4, enclosed is the Capital Asset Preservation and Replacement Account (CAPRA) Summary Report. This report is a list of projects funded by CAPRA appropriations during calendar year 2019.

cc: Governor Tim Walz
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**Capital Asset Preservation and
Replacement Account
SUMMARY REPORT
2019**

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Cost to prepare this report: \$600

Reporting requirements

Minnesota Statutes 16A.632, subd. 4, requires that the Commissioner of Administration submit:

- A list of the projects in each agency funded from the Capital Asset Preservation and Replacement Account (CAPRA) during the preceding calendar year; and
- A list of priority projects for which a CAPRA appropriation will be sought.

Funding summary

The amount of bond proceeds appropriated to the CAPRA program is quite limited relative to the overall, urgent asset preservation needs of the state. Consequently, CAPRA funding is used only to provide rapid financial assistance to agencies for emergencies and unanticipated hazardous material abatement needs. In doing so, the program aims to minimize the negative impact of facilities-related emergencies and unanticipated conditions on the delivery of services and programs by state agencies.

Since CAPRA's creation in 1990, \$100.13 million has been appropriated for projects. Examples of CAPRA-funded projects include asbestos and lead abatement, emergency roof and pipe repairs, and replacement of failed air conditioning, boilers, and water heater units. Recent projects using CAPRA funds are shown in Tables 3 and 4. As of January 1, 2020 there are no funds remaining from previous appropriations for CAPRA projects:

- \$0.00 remains available in the appropriation in fiscal year 2014 (Laws 2014, Chapter 295, Section 4)
- \$0.00 remains available in the appropriation in fiscal year 2017 (Laws 2017, 1st Special Session, Chapter 8, Section 3)
- \$0.00 remains available in the appropriation in fiscal year 2018 (Laws 2018, Article 1, Chapter 214, Section 12, Subdivision 2)

A total of \$3,095,803.60 was expended in Calendar Year 2019 (CY19), as follows:

- \$1,607,111.35 from the FY 2018 CAPRA appropriation
- \$1,487,302.25 from the FY 2017 CAPRA appropriation
- \$1,390.00 from the FY 2014 CAPRA appropriation

The current unspent balance in the CAPRA program is \$4,421,869.59. However, all but \$299,895.99 has already been encumbered with the remainder committed to specific projects That leaves a balance of \$0.00 available for any new emergencies that arise.

History of the account

Past appropriations for CAPRA since FY 2002 are:

- 2018: \$5 million
- 2017: \$5 million
- 2014: \$1 million

- 2012: \$1 million
- 2011: \$2.83 million
- 2010: \$2 million
- 2008 \$3.4 million
- 2006: \$4 million
- 2005: \$3 million
- 2002: \$14 million

Asset preservation has become an increasingly important challenge for state agency operations. Adequately maintaining state facilities is imperative to support the efficient and effective delivery of services and programs to our customers, the people of Minnesota. In particular, the lack of adequate funding to complete regular, planned preventative maintenance to state-owned properties increases the likelihood that CAPRA and agency asset preservation funds must be used to fix broken items rather than proactively maintain optimal building conditions.

Future considerations

Admin typically requests CAPRA funds during legislative bonding sessions (even-numbered years). In 2016, Governor Mark Dayton recommended \$2.5 million for 2016 and each subsequent biennium to replenish the account. However, no capital investment legislation was enacted and no CAPRA appropriations were made in 2016. In 2017 & 2018, the Governor recommended, and the legislature enacted, a \$5 million appropriation to CAPRA. Currently all CAPRA funds have been committed to projects and Admin has submitted a \$15 million request for the 2020 legislative session.

The state has a \$973 million backlog in deferred maintenance for state-owned properties and a \$2.14 billion need (over the course of 10 years) to keep up with aging systems, for a total asset preservation need of \$3.11 billion. That amount does not include the deferred maintenance and asset preservation needs at Minnesota State (MnSCU) and the University of Minnesota (UMN). Further, the Enterprise Real Property Program data reflects that delaying needed property maintenance results in higher costs to restore and maintain buildings in an optimal condition. Regular, predictable investment is critical to ensure that buildings are adequately maintained and state property is cared for to maximize the investment that has already been made in state owned facilities.

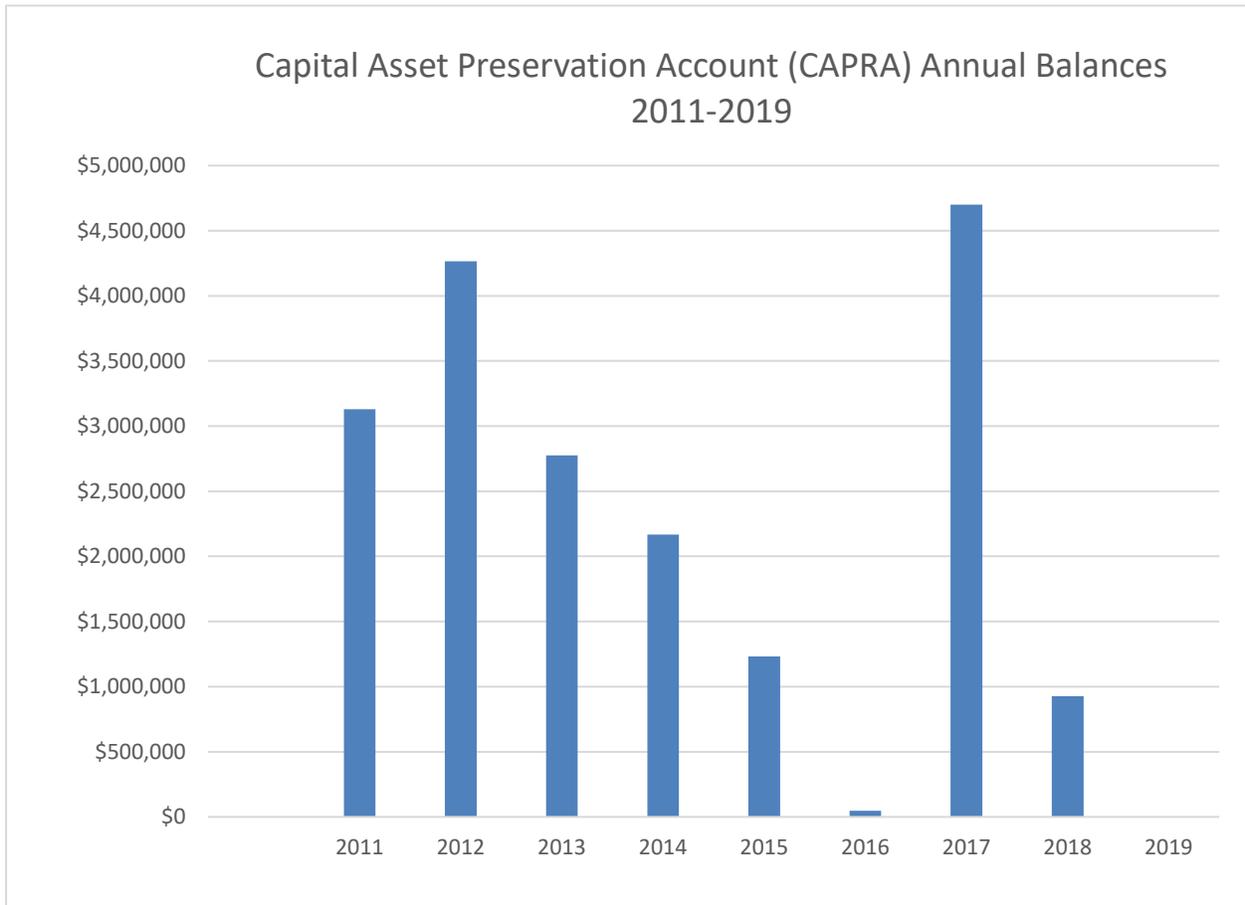
Agency requests for asset preservation have historically been funded at levels lower than recommended by the Governor. Underfunding of asset preservation and irregular appropriation amounts make it difficult to efficiently plan for and keep up with routine maintenance, and increases the potential for emergency repairs, unsafe conditions, and lost asset value.

Expenditure Trends and Declining CAPRA Balances

Demand for CAPRA funds outpaced appropriations through 2016 resulting in a declining CAPRA balance. As illustrated in Table 1, by the end of 2016, the balance had declined to the point

that it was insufficient to fully respond to emergency repair needs such as the Centennial Office Building Parking Ramp, a damaged security fence at the St Peter Regional Treatment Center, and the bridge at the Minneapolis Veterans Home (closed to vehicle and pedestrian traffic due to corrosion of the structural steel).

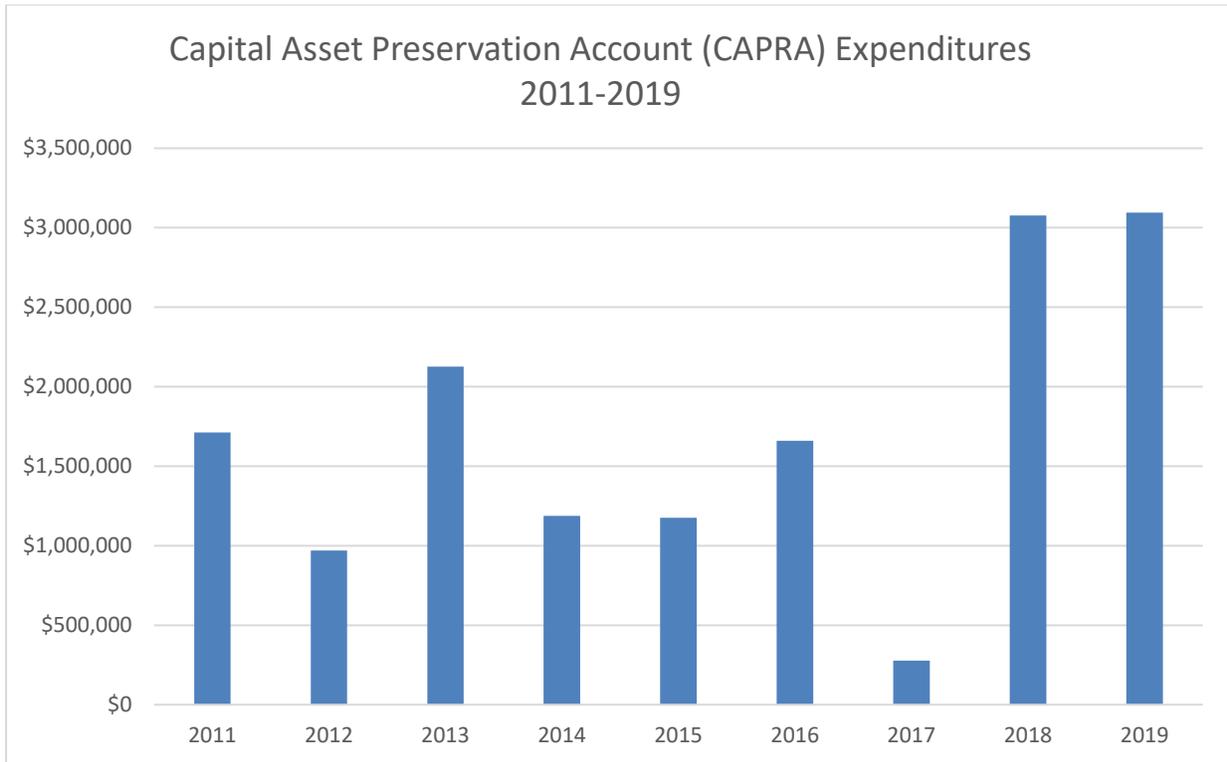
Table 1: Capital Asset Preservation Account (CAPRA) Annual Balances 2011-2019



2011	2012	2013	2014	2015	2016	2017	2018	2019
\$3,130,348	\$4,264,709	\$2,776,104	\$2,167,979	\$1,230,990	\$47,743	\$4,700,000	\$925,292	\$0

As shown in Table 2 below, with one exception, annual CAPRA expenditures exceeded \$2 million during any rolling two-year period. Consequently, it is vital that the fund be maintained with a significant amount of funding in order to handle future emergency requests from state agencies.

Table 2: Annual CAPRA Expenditures 2011-2019



2011	2012	2013	2014	2015	2016	2017	2018	2019
\$1,712,788	\$970,422	\$2,126,032	\$1,188,813	\$1,175,127	\$1,660,626	\$277,753	\$3,076,283	\$3,095,803

Priority projects for which funding will be sought

Since CAPRA funds are now aimed primarily at addressing emergency and unanticipated needs, it is impossible to identify/prioritize specific projects for which funding will be sought. In general, the priority for CAPRA spending is as follows:

1. Emergencies of any kind;
2. Hazardous material abatement; and
3. Non-recurring, small repair and maintenance projects.

State agencies served by the CAPRA program in recent years include Administration, Corrections, Human Services, Perpich Center for the Arts, Minnesota State Academies, Commerce, and Veterans Affairs.

Projects funded in CY 2019 from FY 2017 and FY 2018 appropriations are noted in the following Tables 3 and 4. Note that these amounts are total dollars committed but not yet fully expended.

**Table 3: Projects funded in Calendar Year 2019 using the Fiscal Year 2017 appropriation
(\$5.00 million appropriated)**

Agency and Project Number	Location	Description	Amount
Public Safety			
07AH0003	ARDEN HILLS	REPLACE AUTOMATION SYSTEM	\$112,406.00
07EN0004	EAGAN	REPLACE AUTOMATION SYSTEM	\$112,406.00
Agency Total			\$224,812.00
Grand Total-All Agencies			\$224,812.00

**Table 4: Projects funded in Calendar Year 2019 using the Fiscal Year 2018 appropriation
(\$5.00 million appropriated)**

Agency and Project Number	Location	Description	Amount
Public Safety DPS			
07AH0003	ARDEN HILLS	REPLACE AUTOMATION SYSTEM	\$69,072
07EN0004	EAGAN	REPLACE AUTOMATON SYSTEM	\$131,862
Agency Total			\$200,934
Veterans Affairs			
75MP0080	MINNEAPOLIS	REPAIR WATER DAMAGE	\$138,279
Agency Total			\$138,279
National Sports Center			
09DBL0002	BLOOMINGTON	REPLACE EXT CONCRETE AND ASPHALT	\$45,000
Agency Total			\$45,000
Commerce			
13SP0002	ST PAUL	REPAIR STATE MASTER SCALE BUILDING	\$150,000
Agency Total			\$150,000
Grand Total-All Agencies			\$534,213