

January 15, 2007

Commissioner Tom Hanson
Minnesota Department of Finance
658 Cedar Street
St. Paul, Minnesota 55155

The Honorable Keith Langseth, Chair
Capital Investment Committee
Room 122 Capitol
75 Rev. Dr. Martin Luther King Jr. Blvd.

The Honorable Alice Hausman, Chair
Capital Investment Finance Division
453 State Office Building
100 Rev. Dr. Martin Luther King Jr. Blvd.

The Honorable Ellen R. Anderson, Chair
Environment, Energy and Natural Resources
Budget Division
Room 120 Capitol
75 Rev. Dr. Martin Luther King Jr. Blvd.

The Honorable Jean Wagenius, Chair
Environment and Natural Resources Finance
Division
449 State Office Building
100 Rev. Dr. Martin Luther King Jr. Blvd

RE: Asset Preservation Summary Report

Dear Commissioner Hanson and Legislators:

Pursuant to Minnesota Statutes M.S. 16B.307, Subdivision 2, enclosed is the Asset Preservations Summary Report. This report summarizes over 250 projects funded from Asset Preservation appropriations during calendar year 2006 into categories.

Sincerely,

Mark Holsten
Commissioner

Enclosures

c: Governor Tim Pawlenty
Legislative Reference Library (six copies)

Asset Preservation Report Executive Summary

REPORTING REQUIREMENTS

Minnesota Statutes 16B. 307, subdivision 2, states that the commissioner of an agency that has received an appropriation for asset preservation shall submit:

- A list of the projects in each agency that were funded from the Asset Preservation during the preceding calendar year
- A list of priority projects for which an Asset Preservation appropriation will be sought during this year's legislative session.

FUNDING SUMMARY

The Department of Natural Resources received \$2.6 million in Asset Preservation funding in 2002, \$2 million in Asset Preservation funding in 2005 and \$2 million in Asset Preservation funding in 2006. The Department of Natural Resources uses the Asset Preservation funds in addition to operating funds to maintain its buildings in a safe and code complaint manner.

DNR FACILITIES SUMMARY

The Department of Natural Resources operates and maintains 2.9 million square feet of space in 2634 buildings across the state. These facilities are valued at over \$378 million and have a deferred maintenance backlog of \$25 million. This does not include the value or deferred maintenance needs of the related site infrastructure.

PRIORITY PROJECTS FOR 2007 REQUEST

No Asset Preservation appropriation request is planned for the 2007 legislative session. A request is anticipated for the 2008 legislative session.

**ASSET PRESERVATION PROJECTS
FUNDED IN CY06 USING THE 2002 APPROPRIATION**
(Funds were reallocated by Department of Finance in December 2006)

Description	ALLOCATED
CONCRETE	\$6,000
DOORS/WINDOWS	\$10,000
ROOFING	\$40,000
SITE	\$2,000
THERMAL/MOISTURE PROTECTION	\$10,000
GRAND TOTAL FOR TWO PROJECTS	\$68,000

**ASSET PRESERVATION PROJECTS
FUNDED IN CY06 USING THE 2005 APPROPRIATION**

Description	ALLOCATED
HAZMAT ABATEMENT	\$32,739
CONCRETE	\$66,390
DOORS/WINDOWS	\$136,415
ELECTRICAL	\$33,687
INTERIOR	\$5,121
HVAC/MECH/PLBG	\$400,862
PERMITS/PLANS	\$1,330
ROOFING	\$125,938
SITE	\$72,589
SPECIAL RENOVATION	\$202,166
SPECIALTIES	\$10,218
THERMAL/MOISTURE PROTECTION	\$93,944
WATER SYSTEMS	\$24,598
WOOD/PLASTICS	\$53,409
GRAND TOTAL FOR 243 PROJECTS	\$1,259,405

**ASSET PRESERVATION PROJECTS
FUNDED IN CY 06 USING THE 2006 APPROPRIATION**

Description	ALLOCATED
CONCRETE	\$18,837
DOORS/WINDOWS	\$2,249
ELECTRICAL	\$424
INTERIOR	\$2,843
HVAC/MECH/PLBG	\$18,915
MASONRY	\$3,868
ROOFING	\$66,820
SITE	\$3,447
WATER SYSTEMS	\$6,099
GRAND TOTAL FOR 24 PROJECTS	\$123,502

16B.307 ASSET PRESERVATION APPROPRIATIONS.

Subdivision 1. **Standards.** Article XI, section 5, clause (a), of the Constitution requires that state general obligation bonds be issued to finance only the acquisition or betterment of public land, buildings, and other public improvements of a capital nature. Money appropriated for asset preservation, whether from state bond proceeds or from other revenue, is subject to the following additional limitations:

- (a) An appropriation for asset preservation may not be used to acquire new land nor to acquire or construct new buildings, additions to buildings, or major new improvements.
- (b) An appropriation for asset preservation may be used only for a capital expenditure on a capital asset previously owned by the state, within the meaning of generally accepted accounting principles as applied to public expenditures. The commissioner of administration will consult with the commissioner of finance to the extent necessary to ensure this and will furnish the commissioner of finance a list of projects to be financed from the account in order of their priority. The legislature assumes that many projects for preservation and replacement of portions of existing capital assets will constitute betterments and capital improvements within the meaning of the Constitution and capital expenditures under generally accepted accounting principles, and will be financed more efficiently and economically under this section than by direct appropriations for specific projects.
- (c) Categories of projects considered likely to be most needed and appropriate for asset preservation appropriations are the following:
 - (1) projects to remove life safety hazards, like building code violations or structural defects. Notwithstanding paragraph (a), a project in this category may include an addition to an existing building if it is a required component of the hazard removal project;
 - (2) projects to eliminate or contain hazardous substances like asbestos or lead paint;
 - (3) major projects to replace or repair roofs, windows, tuckpointing, mechanical or electrical systems, utility infrastructure, tunnels, site renovations necessary to support building use, and structural components necessary to preserve the exterior and interior of existing buildings; and
 - (4) projects to renovate parking structures.
- (d) Up to ten percent of an appropriation subject to this section may be used for design costs for projects eligible to be funded under this section in anticipation of future asset preservation appropriations.

Subd. 2. **Report.** By January 15 of each year, the commissioner of an agency that has received an appropriation for asset preservation shall submit to the commissioner of finance, the chairs of the legislative committees or divisions that currently oversee the appropriations to the agency, and to the chairs of the senate and house of representatives Capital Investment Committees, a list of the projects that have been funded with money under this program during the preceding calendar year, as well as a list of those priority asset preservation projects for which state bond proceeds fund appropriations will be sought during that year's legislative session.

History: 2006 c 258 s 30