



DATE: January 15, 2017

TO: Myron Frans, Commissioner, Minnesota Management & Budget
Legislator Committee Chairs, per M.S. 16A.632, subd. 4
(Distribution list attached)

FROM: 
Matt Massman, Commissioner

SUBJECT: 2016 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 2016.

Admin's capacity to assist state agencies with emergency and unanticipated capital asset needs is particularly limited at this time. No capital investment legislation was enacted in 2016. As a result, severely diminished CAPRA funding levels have continued to decline resulting in the inability to respond to emergency repair needs that would have previously been funded under the program.

Enclosures

c: Governor Mark Dayton
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CAPRA SUMMARY REPORT

Capital Asset Preservation and Replacement Account
Summary Report
For Calendar Year 2016

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Real Estate and Construction Services
Voice 651-201-2550
Fax 651-215-6245

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

No capital investment legislation was enacted in 2016. As a result, severely diminished CAPRA funding levels have continued to decline to dangerously low levels resulting in the inability to respond to emergency repair needs that would have previously been funded under the program.

Since CAPRA's creation in 1990, a total of \$90.13 million has been appropriated for projects. Examples of CAPRA-funded projects include asbestos and lead abatement, emergency roof and pipe repair, and replacement of failed air conditioning, boiler, and water heater units. Recent projects using CAPRA funds are shown in Tables 3 through 5. As of January 1, 2017, a portion of the following three prior appropriations was available for CAPRA projects:

- \$1,000,000 appropriated in fiscal year 2014 (Laws 2014, Chapter 295, Section 4),
- \$1,000,000 in fiscal year 2012 (Laws 2012, Chapter 293, Section 13, Subd. 4); and
- \$2.83 million in fiscal year 2011 (Laws 2011, Chapter 12, Section 4, Subd. 2).

A total of \$1,660,625.86 was expended in calendar year 2016 (CY16), as follows:

- \$ 596,333.60 from FY11 CAPRA appropriation
- \$ 534,724.37 from the FY12 appropriation
- \$ 529,567.89 from the FY14 appropriation

The current unspent balance in the CAPRA program is \$469,080; the current unencumbered balance is \$355,474. Of the unencumbered balance \$115,365 is budgeted for specific projects, leaving a balance of only \$240,109.18 available for any new emergencies that may arise.

Projects funded in CY16 from FY11, FY12 and FY14 appropriations are noted in the attached Tables 3 through 5. Note that these amounts differ from above since they are total dollars committed but not yet fully expended.

History of the account

Historical appropriations for CAPRA since 2002 are:

- 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 is becoming 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. Due to the current balance of less than \$300,000 state agencies face an increased likelihood of being unable to avoid service interruptions if they experience unanticipated or emergency repair needs.

Future considerations

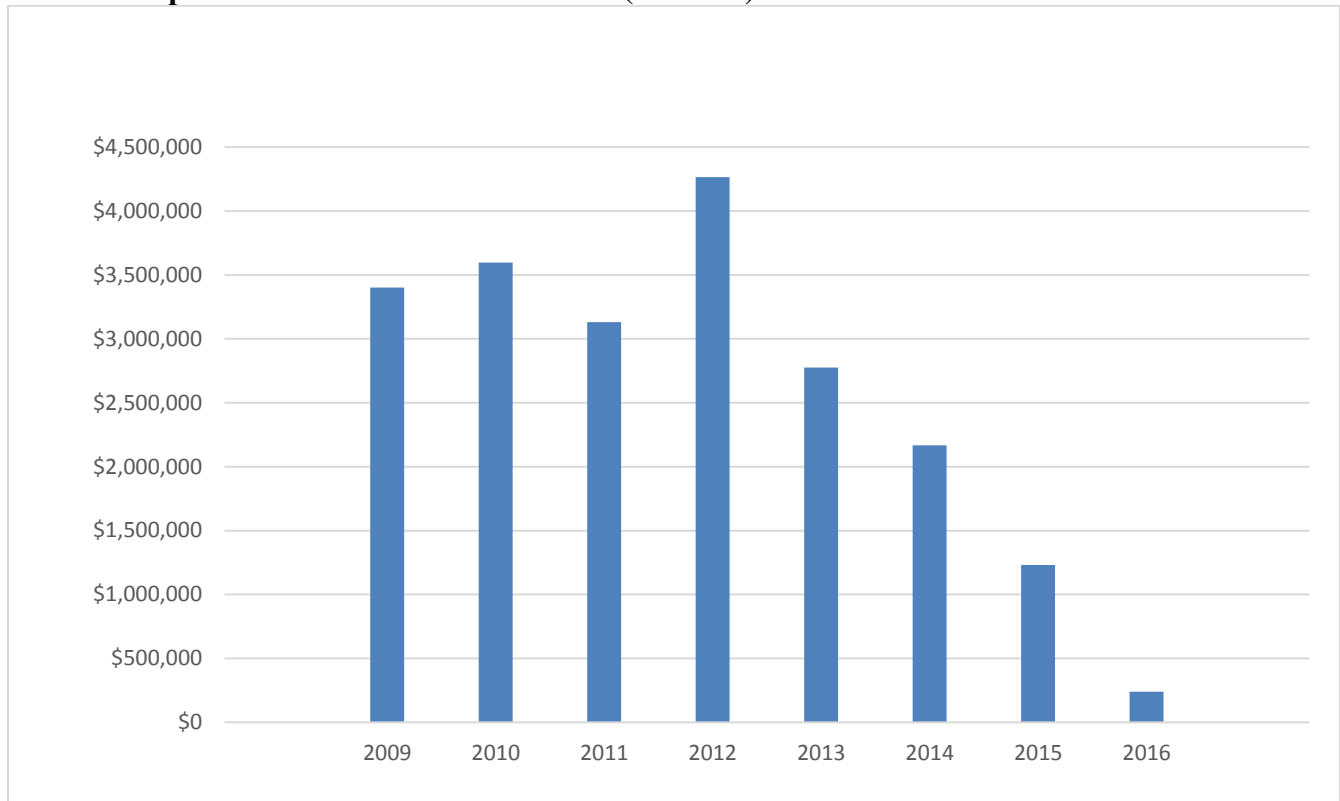
Admin typically requests CAPRA funds during legislative bonding sessions (even-numbered years). In 2016, the Governor recommended \$2.5 million in 2016 and each subsequent biennium to replenish the account. However, no capital investment legislation was enacted and no CAPRA appropriations were made in 2016. The Governor has recommended \$5.0 million appropriation to CAPRA in 2017.

The state has an estimated \$1.2 billion in deferred maintenance backlog for state-owned properties. Agency requests for asset preservation are typically funded at levels lower than recommended by the Governor. Chronic 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 has outpaced appropriations resulting in a declining CAPRA balance. As illustrated in Table 1, the balance has steadily declined since 2012. By the end of 2015, the balance had declined to the point that it was insufficient to fully respond to emergency repair needs, such as the Centennial parking ramp. As a result, some known urgent repair needs are on hold until additional funds are appropriated.

Table 1: Capital Asset Preservation Account (CAPRA) Annual Balances 2009-2016

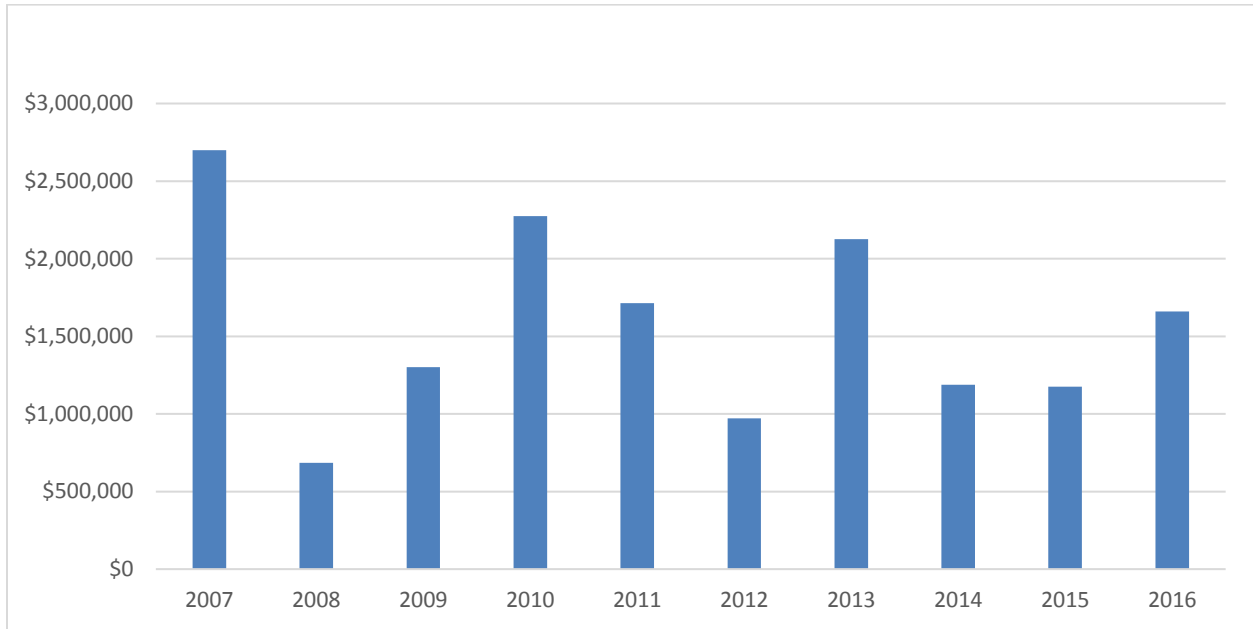


2009	2010	2011	2012	2013	2014	2015	2016
\$3,401,457	\$3,597,227	\$3,130,348	\$4,264,709	\$2,776,104	\$2,167,979	\$1,230,990	\$240,109

As shown in Table 2, with one exception, the use of the CAPRA fund has exceeded \$2.5 million during any rolling two year period. Consequently, it is vital that the fund be recapitalized with a significant amount of funding in order to handle future emergency requests from state agencies.

One example of how limited CAPRA resources impacts state operations is the Centennial parking ramp. Due to inadequate CAPRA and AP funds to complete emergency repairs, 176 parking stalls remain closed until repairs are completed. Further, Capitol complex parking rates must continue to cover the costs of temporary shoring—estimated to cost \$573,000 in FY2017—because repairs have not been completed. The Governor recommended a complete restoration of the ramp in the 2016 but no capital investment bill was enacted. The Governor has again recommended fully repairing and restoring the facility in 2017 recommendations.

Table 2: Annual CAPRA Expenditures 2008-2016



2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
\$2,698,573	\$684,622	\$1,300,376	\$2,274,140	\$1,712,788	\$970,422	\$2,126,032	\$1,188,813	\$1,175,127	1,660,626

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 all kinds
2. Hazardous material abatement
3. Non-recurring, small repair and maintenance projects ranging.

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

Table 3: Projects funded in Calendar Year 2016 using the Fiscal Year 2011 appropriation

Agency and Project Number	Location	Description	Amount
Starting Balance			\$331,536.16
Corrections			
78WR0009	Willow River	Upgrade CIP Barracks HVAC	128,000.00
78RW0027	Red Wing	Repair Admin Bldg Tower	76,352.65
78FA0047	Faribault	Replace Sierra So Piping	127,173.54
Agency Total			\$331,526.19
Grand Total-All Agencies			\$331,526.19
Remaining Available Balance			\$0

Table 4: Projects funded in Calendar Year 2016 using the Fiscal Year 2012 appropriation

Agency and Project Number	Location	Description	Amount
Starting Balance			\$24,384.37
Corrections			
78FA0047	Faribault	Replace Sierra So Piping	24,384.37
Agency Total			24,384.37
Grand Total-All Agencies			\$24,384.37
Remaining Available Balance			\$0

Table 5: Projects funded in Calendar Year 2016 using the Fiscal Year 2014 appropriation

Agency and Project Number	Location	Description	Amount
Starting Balance			\$961,382.37
Administration			
02CP0068	Capitol Complex	Repair Centennial Ramp	500,000.00
Agency Total			500,000.00
Corrections			
78ML0040	Moose Lake	Add Safety Valves to Boiler	19,831.10
78RW0027	Red Wing	Repair Admin Bldg Tower	40,000.00
78FA0047	Faribault	Repair Sierra So Steam Piping	11,442.09
78SH0032	Shakopee	Mitigate Fuel Storage Tanks	60,000.00
78 TH 0027	Thistledew	Repair Laundry Hot Water	25,000.00
Agency Total			156,273.19
State Academies			
44DA0022	Deaf Academy	Upgrade Generator Controls	40,000.00
44FA0026	Faribault	Asbestos Abate Pipe Joints	25,000.00
Agency Total			65,000.00
Grand Total-All Agencies			\$721,273.19
Remaining Available Balance			\$240,109.18