Objective:

To account for the use of general obligation bond proceeds that agencies use to fund the capitalizable costs of staff directly involved in delivering a capital project. State agencies are strongly encouraged to charge the time of state employees working on capital projects to non-bond funding sources because of the undesirable practice of amortizing such salary costs over the 20 year life of state general obligation bonds.

Definitions:

Capitalizable costs of staff means the portion of the compensation of employees working directly on a capital project that is directly related to that capital project based on the compensation of each such employee (including employee benefits) and payroll taxes paid by the agency for such employee and the amount of time actually spent by such employee on the project that is properly capitalized as a cost of a project under generally accepted accounting principles and federal tax law. Agencies may use bond proceeds only for out-of-pocket capital costs and not for depreciation, amortization, overhead, general administration, or similar costs.

Capital project means the acquisition or betterment of public land and buildings and other public improvements, the costs of which are properly capitalized under generally accepted accounting principles.

Policy:

1. Agencies intending to use general obligation bond proceeds to fund the capitalizable costs of staff directly involved in delivering a capital project authorized in a bonding bill must notify Minnesota Management and Budget (MMB) of their intention prior to expending any bond appropriations for that purpose.
2. Staff time expended on capital projects are required to be tracked by each individual project in a form and manner acceptable to MMB. Agencies should submit a memorandum to their Executive Budget Officer (EBO) outlining their proposed process for tracking and reporting agency staff time directly expended on completing authorized capital projects for review and approval by MMB.

Criteria for Reporting Format:

Reporting of staff time spent on capital projects funded from general obligation bond proceeds must reflect the following criteria:

1. Time must be tracked by each project individually.
2. Each individual recording time must be identified.
3. Time must be tracked on a daily basis.
Policy Implementation:

Each agency must submit a report detailing the time expended on implementing capital projects to their respective EBO on a quarterly basis. Each agency must certify that such time is properly capitalizable as a cost of the appropriate project in accordance with applicable accounting principles. EBOs shall review the reports and notify the Capital Projects Coordinator if any issues are noted. The Capital Projects Coordinator will work with the agency in question to resolve any issues that are identified. If the agency and the Capital Projects Coordinator are unable to resolve any issues, the Assistant Commissioner will make a final determination, in consultation with bond counsel as needed, as to the resolution of any issues.

Upon completion of each capital project undertaken, the agency will provide written notification to its EBO and no further reimbursement for any capitalizable costs may be made.

Effective Date of Policy:

This policy will be effective with bonding appropriations authorized in the 2010 legislative session. Agencies that already have explicit statutory authority for prior bond authorizations to use general obligation bond proceeds to fund the costs of staff directly involved in delivering a capital project must still submit a plan to track those costs to MMB for its review and approval prior to using any general obligation bond funds for such purposes.

Contacts:

Gay Cerney, Capital Projects Coordinator, (651) 201-8049

Mike Roelofs, Budget Team Leader, (651) 201-8023

Kathy Kardell, Assistant Commissioner, (651) 201-8030