

Subject Capital project replacement accounts

Authors Tabke and Lee, F.

Analyst Chelsea Griffin

Date March 24, 2025

## Overview

This bill would require certain capital project grantees to establish replacement accounts for capital improvements to the capital project once the project reaches its useful life.

## Summary

Section Description

---

1 **[16A.865] Capital project replacement accounts.**

**Subd. 1. Definitions.** Defines the following terms for purposes of the section: “commissioner,” and “preservation.”

**Subd. 2. Replacement account establishment.** Requires a grantee that receives an appropriation of state money for a capital improvement project subject to certain statutes to establish a capital project replacement fund for major rehabilitation, expansion, replacement, or preservation of the capital project once the project has reached its useful life. Upon written approval by the granting state agency, the fund may be used to address improvements for the capital project before the useful life is reached or the fund may be used for a different capital asset owned by the grantee.

The grantee must adopt a capital project replacement policy for the capital project replacement fund that specifies the risks to be mitigated by the fund, the intended use of the fund, and the criteria for use of the fund to address other capital improvement needs of the grantee.

“Grantee” does not include a state agency or state official for purposes of this section.

**Subd. 3. Minimum deposits; fund balance.** The commissioner of administration must determine the annual minimum deposit amounts in the capital project replacement funds by capital project type. The commissioner must consider a variety of factors when determining the minimum deposit amounts.

**Section**   **Description**

---

Provides that a grantee must not be required to maintain a capital project replacement fund balance greater than the amount of the direct appropriation of state money for the capital project.

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

**Subd. 5. Exceptions.** Provides that capital projects that already require a replacement fund are exempt from the requirements of the section as long as the deposits into the replacement fund are at least as large as the minimum deposits established by the commissioner in subdivision 3.

**Subd. 6. Penalty.** If a grantee does not comply with the requirements of this section the granting state agency assesses a penalty fee to the grantee equal to one percent of the appropriation of state money for the capital project for each year of noncompliance. Penalty fees would be remitted by the granting state agency to the commissioner of management and budget for deposit into the general fund.

Effective for capital projects funded through state capital project grant agreements entered into on or after July 1, 2025.



**MN HOUSE  
RESEARCH**

*Minnesota House Research Department provides nonpartisan legislative, legal, and information services to the Minnesota House of Representatives. This document can be made available in alternative formats.*

[www.house.mn.gov/hrd](http://www.house.mn.gov/hrd) | 651-296-6753 | Third Floor, Centennial Office Building | St. Paul, MN 55155