

**SENATE  
STATE OF MINNESOTA  
NINETY-THIRD SESSION**

**S.F. No. 3782**

(SENATE AUTHORS: PAPPAS)

DATE  
02/15/2024

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Introduction and first reading  
Referred to Capital Investment

OFFICIAL STATUS

1.1 A bill for an act  
1.2 relating to capital investment; requiring local governments to establish a  
1.3 replacement fund to maintain and replace capital projects that receive state funding;  
1.4 proposing coding for new law in Minnesota Statutes, chapter 16A.

1.5 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

1.6 Section 1. **[16A.865] CAPITAL PROJECT REPLACEMENT ACCOUNTS.**

1.7 Subdivision 1. **Replacement account establishment.** A political subdivision that receives  
1.8 an appropriation of state money for a local capital improvement project must establish a  
1.9 capital project replacement fund for major rehabilitation, expansion, or replacement of the  
1.10 capital project. Money must remain in the account for the life of the grant agreement with  
1.11 the granting state agency unless use of the fund is approved in writing by the commissioner  
1.12 of management and budget for major rehabilitation, expansion, or replacement of the capital  
1.13 project.

1.14 Subd. 2. **Minimum deposits.** The commissioner of management and budget must  
1.15 determine the minimum deposit amounts into capital project replacement funds by capital  
1.16 project type. The commissioner must take into account depreciation, construction cost  
1.17 inflation, and other relevant factors when determining the minimum deposit amounts.

1.18 Subd. 3. **Account auditing.** The state auditor shall audit capital project replacement  
1.19 accounts as part of the regular audits of local governments.

1.20 Subd. 4. **Exceptions.** Capital projects that already require a replacement fund under  
1.21 section 446A.072, subdivision 12, or any other law, rule, or ordinance, are exempt from the  
1.22 requirements under this section, so long as the deposits into the replacement fund are at

2.1 least as large as the minimum deposits established by the commissioner of management  
2.2 and budget under subdivision 2.

2.3 **EFFECTIVE DATE.** This section is effective for capital projects receiving state funding  
2.4 on or after July 1, 2024.