

Minnesota Management & Budget, Budget Operations
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Capital Appropriations With Program Funding Review Requirements

Objective

To ensure that the use of bonding appropriations complies with statutory requirements.

Policy

[Minnesota Statutes 16A.695](#) requires that agencies with bonding appropriations for capital grants to other recipients have an expanded oversight responsibility. Subd. 5 of the statute, as amended, reads in part, "*Recipients of grants from money appropriated from the bond proceeds fund must demonstrate to the commissioner of the agency making the grant that the recipient has the ability and a plan to fund the program intended for the facility. A private nonprofit organization that leases or manages a facility acquired or bettered with grant money appropriated from the bond proceeds fund must demonstrate to the commissioner of the agency making the grant that the organization has the ability and a plan to fund the program intended for the facility.*"

The purpose of this MAPS operating policy is to provide guidance to agencies regarding the type of information to be requested of grantees. The grantees must demonstrate to the agency making the grant that a satisfactory program has been developed for operation of the facility. Agencies should solicit the necessary information during the grant application and approval process, and/or prior to loading the appropriation into the accounting system and disbursing the grant funds.

Generally, the ability of a grantee to successfully operate an anticipated facility will depend on a number of circumstances, including the type of facility to be constructed, program costs, funding sources, and the grantee's experience in operating similar facilities or public programs.

The information required to demonstrate an anticipated, successful operation may also vary. For example, information needed to demonstrate a public entity's funding plan for an expanded or replacement facility housing a successful, continuing public program might logically be less than the information requested for a start-up facility to be managed by an organization with no previous program operating experience.

In the first example, a resolution of the public entity's governing board that establishes multi-year funding for the continued operation of the facility or its public budget that includes adequate program funding may be viewed as a satisfactory level of information. In cases where the facility will be operated by a nonprofit group or managed by a public entity with little or no experience in the operation of a particular program or facility, a wider range of financial information and documents should be requested to provide assurances of the grantee's *plan and ability* to successfully operate the facility.

Such financial documents may include:

- General information on the organization, management structure, and mission of the recipient;
- Annual financial statements from the last three to five years, budget for the current fiscal year and for the first full year of the facility's operation, pro-forma income and expense projections for a three to five year horizon, and a detailed listing of all non-state funding sources for capital and operating expenses including pledge commitments; and assumptions used to make and justify pro-forma income and expense projections.

The agency should undertake a financial analysis of the documents presented including consideration of management capabilities, revenue and expense trends, determination of the availability of unrestricted balances and other reserves to provide necessary liquidity, comparison of the past financial performance of the organization or facility in comparison to prior year budgets, and examination of the underlying assumptions and reasoning of the revenue and expense projections.

After complete review of these or other documents, the agency should determine whether the grantee has successfully demonstrated its plan and ability to fund and manage the program anticipated for the facility. This decision should be presented in writing to the Minnesota Management & Budget's (DOF) Executive Budget Officer (EBO), along with a copy of the agency-reviewed financial documents prior to submitting the Appropriation Entry form for approval and entry into MAPS. This information will be subject to review by DOF to ensure that the statutory review requirement has been met.

If an agency making a grant does not have the capability to adequately analyze these financial documents or is otherwise unable to make a determination of the recipient's plan and ability to successfully operate the public program, the agency may request that the Commissioner of Finance convene a meeting of the state nonprofit review committee to provide such analysis. For more information regarding this process, please contact the DOF Assistant Commissioner for Cash and Debt Management.

Please note that it is not the intent of DOF to review each capital appropriation grant award intended for disbursement to multiple grantees from agencies demonstrating a successful history in awarding capital grants for that program. In this situation, the agency may submit a copy of program funding policies or grant application rules that demonstrate an overall satisfactory program funding review process, rather than submitting individual project certifications and financial documents for each grant.

Specific questions on program funding review requirements of M.S. 16A.695 and this MAPS policy may be addressed to the agency-assigned EBO.

General Procedures

Step	Actions to be Performed	Responsible Party
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1.	Provide a written certification that the recipient has satisfied the program funding review requirements of the law and include a copy of the agency-reviewed financial documents prior to, or at the time of submission of the Appropriation Entry form to DOF. If the written certification is not easily available, then the appropriation will be entered and deactivated, pending the receipt of this documentation.	Agency
2.	Identify the legal or statutory authority to spend state capital funds and follow the multi-step approval process specified in MAPS Procedure 0302-01 , "Capital Appropriations" to enter, modify and delete capital appropriations with program funding review requirements.	Agency