

Municipal State Aid Construction Account Advance Guidelines

Advance status is currently code red

State Aid Advances

[Minnesota Statutes 162.14, Subd. 6](#) provides for municipalities to make advances from future year’s allocations for the purpose of expediting construction. This process not only helps reduce the construction cash balance, but also allows municipalities to fund projects that may have been delayed due to funding shortages.

The formula used to determine if advances will be available is based on the current construction cash balance, expenditures trends, repayments and the \$20,000,000 recommended threshold in MSAS construction. The threshold can be administratively adjusted by the MnDOT Chief Financial Officer and reported to the Screening Board at the next Screening Board meeting.

The process used for advancing is dependent on the code levels which are listed below. The current State Aid advance Code Level is displayed at the beginning of this document.

State Aid Advance Code Levels

SEVERE

Code RED - SEVERE – Construction cash balance too low. NO MORE ADVANCES - NO EXCEPTIONS

GUARDED

Code YELLOW - GUARDED – Construction cash balance low; balances reviewed monthly. Advancing money may not meet the anticipated needs. Priority system will be used. Resolution required. Reserve option is available only prior to bid advertisement.

LOW

Code GREEN - LOW – Construction cash balance at acceptable level to approve anticipated advances. Advances approved on first-come, first-serve basis while funds are available. Resolution required. High priority projects are reserved; others optional.

General Guidelines for State Aid & Federal Aid Advance Construction

If a city requests an advance on future allotments they need to submit an State Aid Advance Resolution authorizing the advance by the board. This will “ earmark” the funding for that city, but it will NOT hold the funds. Advanced funds will be paid out on a first come first serve basis as the construction accounts are spent down to zero. The

correct resolution must be used for each advance type and there is a sample resolution for each on the MnDOT State Aid Finance (SAF) webpage. **Requests are good only for the year requested (cannot be summited for multiple years) and void at 12/31 of that year.**

Advances are not limited to the projects listed on the resolution. Project payments are processed in the order received by SAF until the maximum advance amount is reached. Advances are repaid from next year's allocation until fully repaid.

Advance funding is not guaranteed. If the city finds they need a guarantee that the funds will be held specifically for them they can submit a "Request to Reserve Advance Funds" to ensure funds will be available for their project. Once approved, a signed copy will be returned to the county. **Requests are good only for the year requested (cannot be summited for multiple years) and void at 12/31 of that year.**

Sample Advance Resolutions and Request to Reserve Funds can be obtained from [SAF Forms & Resolutions webpage](#). E-mail completed forms to Mohamed Farah at mohamed.m.farah@state.mn.us in MnDOT State Aid Finance and your [DSAE](#) for review.

Priority System

A Priority System will be required if the construction cash balances drop below an acceptable level which is Code Yellow. This process starts in early October proceeding the advance year. Each city will be required to submit projects to their DSAE for prioritization within the district. The DSAE will submit the prioritized list to SALT for final prioritization.

Requests should include a negative impact statement if project had to be delayed or advance funding was not available. In addition, include why the project is needed.

Priority projects include, but are not limited, to projects where agreements have mandated the city's participation, or projects with advanced federal aid. Small overruns and funding shortfalls may be funded, but require MnDOT State Aid approval.

Advance Limitations

Statutory – None, reference [Minnesota Statutes 162.14, Subd 6](#).

State Aid Rules – None, reference [State Aid Rules 8820.1500, Subp. 10 & 10b](#) (PDF).

State Aid Guidelines

Advance is limited to five times the municipalities' last construction allotment or \$4,000,000, whichever is less. Advance amount will be reduced by any similar outstanding obligations and/or bond principle payments due. The limit can be administratively adjusted by the MnDOT Chief Financial Officer.

If a municipality has a negative balance and the status is Code Red – Severe: then MnDOT State Aid Finance may not be able to pay the municipality for the local agency bond principal.

Limitation may be exceeded due to federal aid advance construction projects programmed by the ATP in the STIP where state aid funds are used in lieu of federal funds. Repayment will be made at the time federal funds are converted. Should federal funds fail to be programmed, or the project (or a portion of the project) be declared federally ineligible, the local agency is required to pay back the advance under a payment plan mutually agreed to between MnDOT State Aid and the municipality.