

Municipal State Aid Construction Account Advance Guidelines

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 the annual amount available for advances will be between 20% and 25% of the January MSAS Construction allocation, influenced by the current construction cash balance, expenditures trends, repayments of previous advances, etc.

General Guidelines and Process for State Aid Advances from MSAS Construction Allocation

1. In October, the District State Aid Engineers (DSAE's) will solicit state aid cities for their preliminary proposed advances for the upcoming year. The DSAE's will prioritize the preliminary advance requests within their respective districts and submit to the Deputy State Aid Engineer, who will prioritize the requests on a statewide basis.
2. In early January, State Aid will determine the amount available for advances in that calendar year. The formula used to determine the annual amount available for advances will be between 20% and 25% of the January MSAS Construction allocation, influenced by the current construction cash balance, expenditures trends, repayments of previous advances, etc.
3. In mid-January, the Deputy State Aid Engineer will contact agencies that submitted preliminary advance requests with information on which preliminary advances likely can be approved. If all preliminary advance requests likely cannot be approved, this communication will be accompanied by a prioritized list of remaining preliminary advance requests. A generalized communication will also be sent to all state aid cities regarding the status of the advance program.
4. If all anticipated advances likely cannot be approved, the Deputy State Aid Engineer and District State Aid Engineers will convene monthly to review the available balance and consider approving additional advance requests based on the priority list. Local agencies can submit additional requests throughout the year, and they will be approved immediately if possible, or they will be prioritized along with the remaining advance requests.
5. The submittal of preliminary advance requests in October/November does not constitute an official advance request approval. Municipalities must submit a State Aid Advance Resolution authorizing the advance by their city council. The correct resolution must be used for each advance type and there are sample resolutions for each on the MnDOT State Aid Finance (SAF) webpage. **Requests are good only for the year requested (cannot be submitted for multiple years) and void at 12/31 of that year.**

Advances are not limited to the projects listed on the resolution, and the resolution itself does not guarantee that funds will be held. If a city decides they need a guarantee that the funds will be held (typically when a city is sure it will complete a project and is certain it will need an advance), it can submit a “Request to Reserve Advance Funds” to ensure funds will be available for their project. If a request to reserve funds is not submitted, 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.

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

Prioritization

In general, priority projects include, but are not limited to, projects where agreements have mandated the city's participation, projects with advanced federal aid, bond principal payments, large agency projects which require multiple years of allocation, and other high priority projects. Small overruns and funding shortfalls may be funded but do require MnDOT State Aid approval. Municipalities with prior advances, and still repaying, will have their advance request considered a lower priority.

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 principal payments due. The limit can be administratively adjusted by the MnDOT Chief Financial Officer.

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.