



February 17, 2020
Commissioner Myron Frans

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Agenda

1. Overview of the Capital Budget Process
2. Growing Needs for Minnesota's Infrastructure
3. Overview of Governor's Local Jobs and Projects Plan
4. Capital Budget Financing



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Capital Budget Process



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2020 Capital Budget Process

- **May – June: State agencies and local governments submitted requests**
- **June – Nov: Review process**
 - 31 site visits
 - 45 presentations by state agencies, local governments and nonprofits
 - 1 flat tire
- **June – now: Materials available at <https://mn.gov/mmb/budget/capital-budget/current/>**
 - 1,597 online comments
 - Interactive map
 - Thousands of pages of project descriptions and information
- **July: Request submitted to Legislature**
- **Jan 2020: Governor's Local Jobs and Projects Plan submitted to Legislature**



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Growing Needs for Minnesota's Infrastructure



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More than \$5 billion in Requests

\$3.7 billion in state agency requests for state facilities and local grant programs

- 137 projects

\$1.3 billion in direct requests from local governments

- 219 projects



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Real Needs

Growing facilities maintenance backlog statewide

- \$1.7 billion in state owned facilities
- \$2 billion in University of Minnesota facilities
- \$1 billion in Minnesota State facilities

Aging local water infrastructure

- \$4 billion in need for nearly 1,000 projects

Inadequate affordable housing supply

- 300,000 in additional affordable housing units needed by 2030

Local needs

- Parks, trails, local bridges, municipal buildings, local roads, community centers, rail safety, libraries, youth sports complexes



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Overview of Governor's Local Jobs and Projects Plan



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Safe and Affordable Housing
\$276 million package



\$76 million
in G.O. Bonds



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Water Quality and Infrastructure
\$300 million package



\$293 million
in G.O. Bonds



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Higher Education
\$488 million package



\$447 million
in G.O. Bonds



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Public Safety and Asset Preservation
\$857 million package



\$673 million
in G.O. Bonds




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Including equity investment
\$30 million

Quality of Life
\$675 million package

\$536 million
in G.O. Bonds



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Capital Budget Financing



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General Obligation Bonding Recommendations



	G.O. Bonds
Safe and Affordable Housing	\$76 million
Water Quality and Infrastructure	\$293 million
Higher Education	\$447 million
Public Safety	\$673 million
Quality of Life	\$536 million
G.O. Bond Total	\$2.03 billion




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Capital Budget Funding Summary

General Obligation Bonds	\$2.028 billion
Other Financing	\$571 million
Appropriation Bonds	\$252 million
User-Financed Bonds	\$90 million
Trunk Highway Bonds	\$172 million
Equity focused cash investments	\$30 million
State agency project cash	\$26 million
Total	\$2.599 billion

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Governor's Capital Budget Debt Service and Cash

Debt Service Costs November 2019 forecast assumptions

(in thousands)

	FY 2021	FY 2022	FY 2023	FY 21-23 Total
General Obligation Bonds	\$20,257	\$61,736	\$99,611	\$181,605
Appropriation Bonds	\$5,089	\$5,089	\$13,089	\$23,267
General Fund Cash	\$56,118	\$235	\$235	\$56,588
Total General Fund Budgetary Cost	\$81,464	\$67,060	\$112,935	\$261,460
Trunk Highway Bonds	\$2,319	\$8,482	\$14,083	\$24,884



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Why borrow now?

We can afford it

- Low interest rate environment
- Strong financial position
- Avoid more costly repairs in the future
- Modest state debt level

We can leverage our assets

Allows us to invest in future generations while addressing current needs



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Debt Capacity Guidelines



Guideline #1: Total tax-supported principal outstanding as a percent of personal income

Threshold: 3.25%
Current 2.26%



Guideline #2: Total amount of tax-supported principal (both issued, and authorized but unissued) as a percent of state personal income

Threshold: 6.00%
Current 3.51%



Guideline #3: No less than 40% of G.O. bonds scheduled to mature within five years and 70% of G.O. bonds scheduled to mature within 10 years

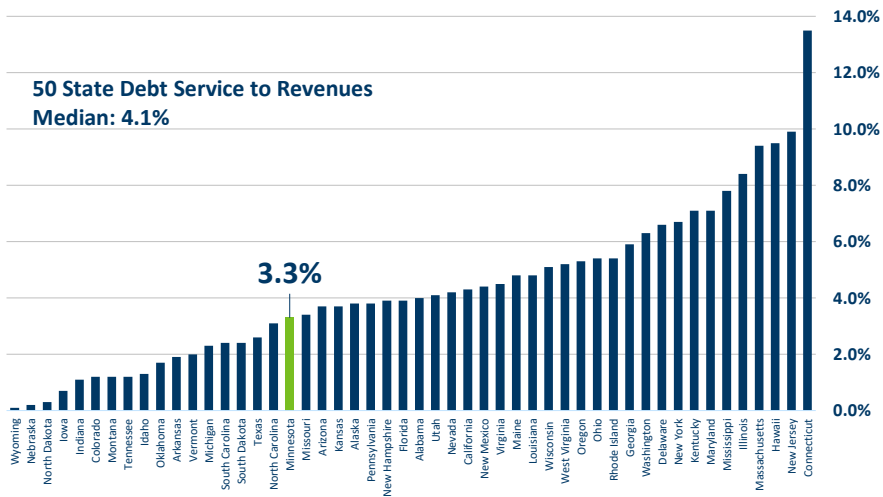
Threshold: 40%/70
Current 42.1%/73.6%



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Debt Service to Revenues Comparison

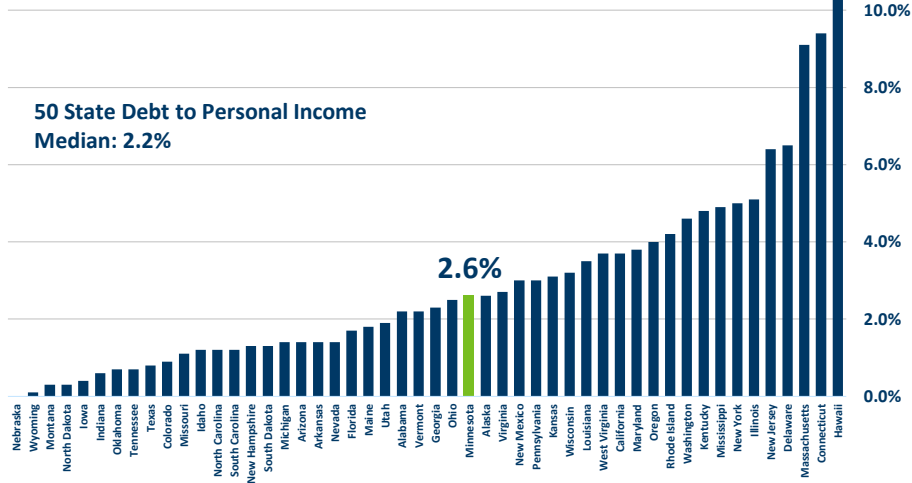


Source: Moody's State Debt Medians 2019, June 3, 2019.

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Debt to Personal Income Comparison



Source: Moody's State Debt Medians 2019, June 3, 2019.

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Building One Minnesota
Local Jobs and Projects Plan

Questions?

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