

HF3977 - 0 - Security for Federal Loans

Chief Author: **Jeff Brand**
 Committee: **Transportation Finance & Policy Division**
 Date Completed: **3/5/2020 11:26:49 AM**
 Lead Agency: **Transportation Dept**
 Other Agencies:
 Minn Management and
 Budget

State Fiscal Impact	Yes	No
Expenditures	X	
Fee/Departmental Earnings	X	
Tax Revenue		X
Information Technology		X
Local Fiscal Impact		X

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions shown in the parentheses.

State Cost (Savings)	Biennium			Biennium		
	Dollars in Thousands	FY2019	FY2020	FY2021	FY2022	FY2023
Transportation Dept						
Restrict Misc. Special Revenue	-	-	(2,340)	(2,840)	(2,840)	(2,840)
Trunk Highway	-	-	4,127	4,127	4,127	4,127
State Total						
Restrict Misc. Special Revenue	-	-	(2,340)	(2,840)	(2,840)	(2,840)
Trunk Highway	-	-	4,127	4,127	4,127	4,127
Total	-	-	1,787	1,287	1,287	1,287
Biennial Total			1,787			2,574

Full Time Equivalent Positions (FTE)	Biennium			Biennium	
	FY2019	FY2020	FY2021	FY2022	FY2023
Transportation Dept					
Restrict Misc. Special Revenue	-	-	-	-	-
Trunk Highway	-	-	-	-	-
Total	-	-	-	-	-

Lead LBO Analyst's Comment

I have reviewed this fiscal note for reasonableness of content and consistency with the LBO's Uniform Standards and Procedures.

LBO Signature: Laura Cecko **Date:** 3/5/2020 11:26:49 AM
Phone: 651-284-6543 **Email:** laura.cecko@lbo.leg.mn

State Cost (Savings) Calculation Details

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions are shown in parentheses.

*Transfers In/Out and Absorbed Costs are only displayed when reported.

State Cost (Savings) = 1-2	Biennium			Biennium	
Dollars in Thousands	FY2019	FY2020	FY2021	FY2022	FY2023
Transportation Dept					
Restrict Misc. Special Revenue	-	-	(2,340)	(2,840)	(2,840)
Trunk Highway	-	-	4,127	4,127	4,127
Total	-	-	1,787	1,287	1,287
Biennial Total			1,787		2,574
1 - Expenditures, Absorbed Costs*, Transfers Out*					
Transportation Dept					
Restrict Misc. Special Revenue	-	-	1,787	1,287	1,287
Trunk Highway	-	-	-	-	-
Total	-	-	1,787	1,287	1,287
Biennial Total			1,787		2,574
2 - Revenues, Transfers In*					
Transportation Dept					
Restrict Misc. Special Revenue	-	-	4,127	4,127	4,127
Trunk Highway	-	-	(4,127)	(4,127)	(4,127)
Total	-	-	-	-	-
Biennial Total			-		-

HF3977 - 0 - Security for Federal Loans

Chief Author: **Jeff Brand**
 Committee: **Transportation Finance & Policy Division**
 Date Completed: **3/5/2020 11:26:49 AM**
 Agency: **Transportation Dept**

State Fiscal Impact	Yes	No
Expenditures	X	
Fee/Departmental Earnings	X	
Tax Revenue		X
Information Technology		X
Local Fiscal Impact		
		X

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions shown in the parentheses.

State Cost (Savings)	Biennium			Biennium		
	Dollars in Thousands	FY2019	FY2020	FY2021	FY2022	FY2023
Restrict Misc. Special Revenue	-	-	(2,340)	(2,840)	(2,840)	
Trunk Highway	-	-	4,127	4,127	4,127	
Total	-	-	1,787	1,287	1,287	
Biennial Total			1,787		2,574	

Full Time Equivalent Positions (FTE)	Biennium			Biennium	
	FY2019	FY2020	FY2021	FY2022	FY2023
Restrict Misc. Special Revenue	-	-	-	-	-
Trunk Highway	-	-	-	-	-
Total	-	-	-	-	-

LBO Analyst's Comment

I have reviewed this fiscal note for reasonableness of content and consistency with the LBO's Uniform Standards and Procedures.

LBO Signature: Laura Cecko **Date:** 3/5/2020 11:26:39 AM
Phone: 651-284-6543 **Email:** laura.cecko@lbo.leg.mn

State Cost (Savings) Calculation Details

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions are shown in parentheses.

*Transfers In/Out and Absorbed Costs are only displayed when reported.

State Cost (Savings) = 1-2		Biennium			Biennium	
Dollars in Thousands		FY2019	FY2020	FY2021	FY2022	FY2023
Restrict Misc. Special Revenue	-	-	(2,340)	(2,840)	(2,840)	(2,840)
Trunk Highway	-	-	4,127	4,127	4,127	4,127
Total	-	-	1,787	1,287	1,287	1,287
Biennial Total			1,787			2,574
1 - Expenditures, Absorbed Costs*, Transfers Out*						
Restrict Misc. Special Revenue	-	-	1,787	1,287	1,287	1,287
Trunk Highway	-	-	-	-	-	-
Total	-	-	1,787	1,287	1,287	1,287
Biennial Total			1,787			2,574
2 - Revenues, Transfers In*						
Restrict Misc. Special Revenue	-	-	4,127	4,127	4,127	4,127
Trunk Highway	-	-	(4,127)	(4,127)	(4,127)	(4,127)
Total	-	-	-	-	-	-
Biennial Total			-			-

Bill Description

House File 3977/SF3878 adds provisions to and updates the effective date of prior permissive federal Transportation Infrastructure Finance and Innovation Act (TIFIA) pilot program language. A special revenue account is established. During any year there is a TIFIA loan balance to be paid, MnDOT oversize/overweight permit fees with the exception of those for forest and special agricultural products are to be credited to this account. These fees would be pledged to pay federal loan repayments, costs of issuance, any reserve, refinancing costs and necessary administrative expenses associated with the loan. Any funds not needed in a given year are to be transferred to the trunk highway fund, which is where these nondedicated fees are currently deposited. In addition, it includes language allowing MnDOT and MMB to enter into covenants and agreements which would be necessary to receive a federal TIFIA loan. All sections are effective upon enactment.

Assumptions

Although this bill's language is permissive, MnDOT does plan to begin a TIFIA pilot, and anticipates applying for a \$36 million TIFIA loan. The annual repayment cost estimate is \$1,287,000 over 35 years, based on an estimated interest rate of 1.3%. Costs of issuance related to entering into the loan are estimated at \$500,000. MnDOT estimates the annual applicable permit fees are approximately \$4,100,000 annually. Although the language requires any unneeded funds be transferred back to the trunk highway fund annually, MnDOT plans to segregate all the pledged fees in the special revenue funds during the forecast period at a minimum to ensure enough funds for repayment.

Expenditure and/or Revenue Formula

All amounts are in thousands:

	FY 2021	FY 2022	FY 2023
Revenue:			
Special Revenue Fund- pledged permit fee revenue	\$ 4,127	\$ 4,127	\$ 4,127
Trunk Highway Fund - reduction of permit fee revenue	\$ (4,127)	\$ (4,127)	\$ (4,127)

Expenditures:			
Special Revenue Fund - loan repayments+ first year fees	\$ 1,787	\$ 1,287	\$ 1,287

Long-Term Fiscal Considerations

If the state enters into a 35-year TIFIA loan, this impact will continue for the full repayment term, though pledged fee revenue not needed may be returned to the trunk highway fund. The federal government requires ongoing annual certifications throughout the life of the loan, which may bear nominal cost. These costs would be paid out of the pledged fee revenue.

Local Fiscal Impact

None

References/Sources

Office of Financial Management
Minnesota Management and Budget

Agency Contact:

Agency Fiscal Note Coordinator Signature: Lynn Poirier

Phone: 651-366-4869

Date: 3/5/2020 10:54:26 AM

Email: Lynn.Poirier@state.mn.us

HF3977 - 0 - Security for Federal Loans

Chief Author: **Jeff Brand**
 Committee: **Transportation Finance & Policy Division**
 Date Completed: **3/5/2020 11:26:49 AM**
 Agency: **Minn Management and Budget**

State Fiscal Impact	Yes	No
Expenditures		X
Fee/Departmental Earnings		X
Tax Revenue		X
Information Technology		X
Local Fiscal Impact		X

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions shown in the parentheses.

State Cost (Savings)	Biennium			Biennium		
	Dollars in Thousands	FY2019	FY2020	FY2021	FY2022	FY2023
Total	-	-	-	-	-	-
Biennial Total			-			-

Full Time Equivalent Positions (FTE)	Biennium			Biennium		
		FY2019	FY2020	FY2021	FY2022	FY2023
Total	-	-	-	-	-	-

LBO Analyst's Comment

I have reviewed this fiscal note for reasonableness of content and consistency with the LBO's Uniform Standards and Procedures.

LBO Signature: Joe Harney **Date:** 3/5/2020 10:30:44 AM
Phone: 651-284-6438 **Email:** joe.harney@lbo.leg.mn

State Cost (Savings) Calculation Details

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions are shown in parentheses.

*Transfers In/Out and Absorbed Costs are only displayed when reported.

State Cost (Savings) = 1-2		Biennium			Biennium	
Dollars in Thousands	FY2019	FY2020	FY2021	FY2022	FY2023	
Total	-	-	-	-	-	-
Biennial Total			-			-
1 - Expenditures, Absorbed Costs*, Transfers Out*						
Total	-	-	-	-	-	-
Biennial Total			-			-
2 - Revenues, Transfers In*						
Total	-	-	-	-	-	-
Biennial Total			-			-

Bill Description

The legislation would create a source of pledged revenues to secure a federal transportation loan first authorized by the 2010 legislature and that the Department of Transportation (DOT) may enter into with Minnesota Management and Budget's (MMB) approval. It would create an account in the special revenue fund to segregate certain nondedicated transportation permit fees that are currently deposited into the trunk highway fund. These fees would be irrevocably pledged to pay federal loan repayments, costs of issuance, any reserve, refinancing costs and necessary administrative expenses associated with the loan. The commissioners of management and budget and transportation would be authorized to enter into any necessary agreements to receive the federal loan

Assumptions

The federal loan program authorized by the Transportation Infrastructure Finance and Innovation Act of 1998 (TIFIA) requires a source of pledged revenues that can receive an investment grade rating from one or two national credit rating agencies. MMB assumes that the pledged revenues in the proposed bill would meet the rating agencies' criteria to receive an investment grade rating or ratings on the federal loan. TIFIA loans may be granted for up to a 35-year term and will need to be secured by these revenues for the full repayment term.

If the loan is secured, DOT estimates the pledged fees will generate approximately \$4.1 million in annual revenues. DOT anticipates applying for a \$36 million TIFIA loan, which would have an annual repayment cost of approximately \$1.3 million over 35 years and based on an estimated interest rate of 1.3%. Costs of issuance related to entering into the loan are estimated at \$500,000, which includes rating agency fees, federal legal and financial advisor fees, state legal and financial advisor fees, and loan application fees. MMB assumes that the special revenue account consisting of fee proceeds would exist at DOT.

Annually, after all annual loan costs are paid, excess pledged revenues will roll back into the trunk highway fund.

The state would leverage the expertise of its existing financial and legal advisors to negotiate loan terms with the federal government on its behalf. Any technical assistance needed from MMB in this proposed loan transaction would be handled by MMB's existing Debt Management Division staff complement. MMB assumes no administrative costs incurred by MMB attributable to this bill.

The loan would be a taxable obligation of the state, not backed by the state's full faith and credit, and would not count against the state's capital investment guidelines.

Expenditure and/or Revenue Formula

Long-Term Fiscal Considerations

If the state enters into a 35-year TIFIA loan, the pledged fee revenues will remain segregated from the trunk highway fund for the full repayment term. The federal government requires ongoing annual certifications throughout the life of the loan, which may bear nominal cost. These costs would be paid out of the pledged fee revenues.

Local Fiscal Impact

References/Sources

Agency Contact:

Agency Fiscal Note Coordinator Signature: Ruth McGlynn

Phone: 651-259-3787

Date: 3/5/2020 9:48:10 AM

Email: ruth.mcglynn@state.mn.us