

Capital Investment and State Bonding

Presentation to the House Capital
Investment Committee

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Role of Nonpartisan Staff

House Research

- **Bill drafting**

- Subject matter expertise

- **Topical research**

Interim work: Publications and interim committees

House Fiscal

- **Request fiscal notes**

- **Bill fiscal impacts**

Bonds Generally



Government issues bonds



Investors receive payments with interest



Funds capital projects

Categorizing Bonds

- issuer (state, municipality, special district)
- purpose (transportation, building, sewer)
- source of payment (general obligation, revenue)
- tax status (taxable or tax-exempt)
- term (long or short-term)

Authority

- State Constitution
- Minnesota Statutes
- Federal Law

“Full faith, credit and taxing powers”

ARTICLE XI APPROPRIATIONS AND FINANCES

Sec. 4. Power to contract public debt; public debt defined.

The state may contract public debts for which its full faith, credit and taxing powers may be pledged at the times and in the manner authorized by law, but only for the purposes and subject to the conditions stated in section 5. Public debt includes any obligation payable directly in whole or in part from a tax of state wide application on any class of property, income, transaction or privilege, but does not include any obligation which is payable from revenues other than taxes.

Use of Bond Proceeds

- Must be:
 - For a public purpose
 - Authorized in the state constitution
 - Specified in law
 - Mature in no more than 20 years

Originate in House

ARTICLE IV LEGISLATIVE DEPARTMENT

Sec. 18. Revenue bills to originate in house.

All bills for raising revenue shall originate in the house of representatives, but the senate may propose and concur with the amendments as on other bills.

Bonds to Acquire and Better Public Land and Buildings

ARTICLE XI APPROPRIATIONS AND FINANCES

Sec. 5. Public debt and works of internal improvement; purposes.

Public debt may be contracted and works of internal improvements carried on for the following purposes:

(a) to acquire and to better public land and buildings and other public improvements of a capital nature and to provide money to be appropriated or loaned to any agency or political subdivision of the state for such purposes if the law authorizing the debt is adopted by the vote of at least three-fifths of the members of each house of the legislature;

Other GO Bond Use Examples



Trunk highways



Forestation



Railroads

Bond Counsel



Specialized public finance lawyers



Bond counsel opinions



Kutak Rock = bond counsel

Other Topics

- Use of state bond-financed property
- Reimbursement
- Nonstate match requirement

State v. Local GO Bonding

	State G.O. Bonding	Local G.O. Bonding
Referendum requirement	X	✓
Limit on net debt	X	✓
Public ownership	✓	X
Purposes specified in constitution	✓	X

Bonding Fiscal Information

- 2020 Bonding Bill Overview
 - Minnesota Laws 2020, Fifth Special Session, Chapter 3

- Forecast Update

Resources

- MMB

<https://mn.gov/mmb/budget/capital-budget/>

<https://mn.gov/mmb/debt-management/>

Capital Grants Manual

- Minnesota State Constitution
- Minnesota Statutes, Chapter 16A