



**MODERNIZING MINNESOTA'S
PRIVATE ACTIVITY BOND
VOLUME CAP ALLOCATION**

HF2252 (Anderson, P.E.)
SF2862 (Putnam)



HF2252 (ANDERSON, P.E.)

SF2862 (PUTNAM)

Update Minnesota's allocation of federal tax-exempt bonding authority ("Volume Cap")

The existing allocation formula does not meet the evolving critical project development & infrastructure needs across the State.

Goal of Volume Cap Alignment

Re-alignment of existing allocation to improve access and capacity for key project and infrastructure developments without increasing the total volume cap.

No Impact to State Budget

It is not State spending – allocation of a limited financing authority – budget neutral.

DEFINITION AND PURPOSE OF PRIVATE ACTIVITY BONDS (PABS)



Tax-Exempt Private Activity Bonds (PABs)

PABs are tax-exempt bonds issued by private entities to fund projects that have a public purpose component.

Public-Private Partnership

Projects financed may be owned or operated by private or nonprofit partners working with public entities.

Lower Borrowing Costs

Tax exemption reduces borrowing costs, enabling projects to be financially viable and successful.

Borrower Repayment

Bonds are repaid by private companies/borrowers, not by state taxpayers, emphasizing responsible financing.

MINNESOTA'S CURRENT ALLOCATION STRUCTURE

MN Splits Federal Allocation into Pools

Annual federal funding limit is divided into three main pools starting January 1 each year.

Three Pools per State Statute

Housing Pool \$122.06M / 58%

Small Issue Pool \$74.5M / 36%

Public Facilities Pool \$12.75M / 6%

Unified Pool

Unused volume cap after July 1 is allocated to a Unified Pool. Housing projects for "Entitled Issuers" such as Minnesota Housing, City of Minneapolis, City of Saint Paul, and Dakota County CDA.



HISTORICAL USE OF PABS IN MINNESOTA SINCE 1986



Affordable Housing Projects / Housing Pool

Affordable housing projects – the majority in the seven county metro area.

Manufacturing Projects for \$10M or Less / Small Issue Pool

Private manufacturing companies to create or expand business – not used - only 1% of allocation has been utilized over last ten years.

Public Facilities / Public Facilities Pool

Wastewater projects for industrial facilities and creameries, airport related supply chain businesses , solid waste disposal & recycling.

Entitlements

Affordable housing in the cities of Minneapolis &, St. Paul, Dakota County and MHFA.

KEY PROVISION OF HF2252: INCREASE THE PUBLIC FACILITIES POOL

Larger Public Facilities Pool

The bill increases the public facilities pool from \$12.75M to \$61.78M, significantly expanding funding capacity.

Capacity Shift from Small Issue Pool

Shifts volume cap allocation from the underutilized Small Issue Pool (from \$74.5M to \$25.5M) to the Public Facilities Pool.



IMPACTS ON HOUSING, ECONOMIC DEVELOPMENT, ENERGY AND INFRASTRUCTURE



Volume Cap Stability

There is no increase in the total volume cap, ensuring controlled allocation without expansion.

Housing Allocation Remains Priority

Housing allocation remains unchanged, preserving priority access for affordable housing projects.

Increased Capacity for High Demand Projects in Minnesota

Projects such as Wastewater Treatment, Agricultural Waste Processing, Renewable Natural Gas and Biofuels, Recycling and Telecommunication (High Speed Fiber to Home).

Allowing Minnesota Businesses to Compete

Revised allocation will support timely financing needs for agriculture, water, energy, and private infrastructure projects.

CONCLUSION



Modernizing PABs Volume Cap Allocation

HF2252 / SF2862 goal is to better align Minnesota's Private Activity Bond Volume Cap allocations to the current project demands in Minnesota.

Improved Financing Efficiency

The changes enhance financing efficiency for private development facilities and infrastructure projects.

Support for Minnesota Projects

This modernization supports vital projects including Clean Water, Agriculture, Renewable Energy and Biofuels and Telecommunications.