



**MINNESOTA  
Management  
& Budget**

**Capital Investment Guidelines**  
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## **Capital Investment Guidelines**

- History
  - State had guidelines that were established in 1979
  - In 2009, created new guidelines 1 and 2:
    - Original guidelines did not include all the debt that rating agencies include in their calculations
    - More in line with what rating agencies analyze
    - Simple and straightforward and comparable to what other states use



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## Capital Investment Guidelines

**Guideline #1:** Total tax-supported principal outstanding (issued) shall be 3.25% or less of total state personal income

**Guideline #2:** Total amount of tax-supported principal (both issued and authorized/unissued) for state general obligations, state moral obligations, equipment capital leases and real estate capital leases shall not exceed 6% of total state personal income

**Guideline #3:** At least 40% of state G.O. bonds are to mature within 5 years and 70% within 10 years.

## Capital Investment Guidelines

- Point in time calculation
- Tax supported debt included in the guidelines, including Trunk Highway Bonds
- Once bonds first authorized, they will appear in guideline #2 first
- Once bonds are issued, they will appear in guideline #1
  - We don't issue the full authorization at once
  - We issue bonds on a cash flow needs basis

**Capital Investment Guidelines**  
**Summary of Outstanding Principal as of 2/28/2015**  
**As of February 2015 Budget and Economic Forecast**

<i>Tax-Supported Debt (Guideline #1)</i>	Principal Outstanding	Authorized, Unissued	Total
All State General Obligation Debt	\$ 6,471,215,000	\$ 1,626,692,900	\$ 8,097,907,900
Certificates of Participation (SWIFT/Integrated Tax)	38,960,000	0	38,960,000
BCA Bemidji Lease Revenue Bonds	3,875,000	0	3,875,000
Other Real Estate Capital Leases:			
Aq/Health Buildings	47,030,000	0	47,030,000
DHS Building	56,195,000	0	56,195,000
MHFA Supportive Housing	28,490,000	0	28,490,000
MHFA Housing Infrastructure 2012	28,360,000	0	28,360,000
MHFA Housing Infrastructure 2014	37,570,000	42,430,000	80,000,000
U of M:			
TCF Bank Stadium	104,385,000	0	104,385,000
Biosciences Facilities	191,835,000	0	191,835,000
State General Fund Appropriation Refunding Bonds	622,290,000	0	622,290,000
Professional Football Stadium Appropriation Bonds	462,065,000	0	462,065,000
Certificates of Participation - Legislative Office Facility	80,100,000	0	80,100,000
Pay for Performance Appropriation Bonds	0	10,000,000	10,000,000
<b>TOTAL - Tax-Supported Debt</b>	<b>\$ 8,172,370,000</b>	<b>\$ 1,679,122,900</b>	<b>\$ 9,851,492,900</b>
<i>Other Obligations (Guideline #2)</i>			
Tax-Supported Debt (issued and authorized but unissued)			\$ 9,851,492,900
MHFA Moral Obligation Debt <sup>(1)</sup>			1,182,530,000
MOHE Moral Obligation Debt			519,265,000
Equipment Leases			29,824,778
<b>TOTAL - All Obligations</b>			<b>\$ 11,583,112,678</b>
FY 2015 State Personal Income Estimate - IHS Forecast:		272,655,000,000	
State Tax-Supported Debt as a Percent of Personal Income:		3.00%	
Estimated maximum additional principal capacity for all tax-supported debt @ 3.25%	\$	688,917,500	
All Obligations as a Percent of Personal Income:		4.25%	
Estimated maximum additional principal capacity for all obligations @ 6.0%	\$	4,776,187,322	

<sup>(1)</sup> MHFA has a \$5 billion statutory debt limit. However, several of the MHFA bonding programs are not issued as Moral Obligation debt. The bond programs that are not included because they are not secured by a debt service reserve fund subject to replenishment from Legislative appropriation are the conduit multifamily revenue bonds and bonds issued under Home Ownership Mortgage-backed Exempt Securities and Homeownership Finance Bonds.



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## Debt Included in Guideline #1

### State Issued Debt

- State General Obligation Various Purpose
- State General Obligation Trunk Highway
- State Appropriation Debt

\* Does not include "self-supporting debt" – 911 revenue bonds and pension building revenue bonds



## Debt Included in Guideline #1

(continued)

### Debt Supported by the State

- State standing appropriations
  - University of Minnesota
  - MHFA
- Lease purchase financing for real estate
  - St. Paul Port Authority (Freeman and Andersen Buildings)
  - City of Bemidji (MN Bureau of Criminal Apprehension)



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## Debt Included in Guideline #2

### GUIDELINE 2:

- All debt types included in Guideline 1 plus:
- Moral obligations
  - Minnesota Housing Finance Agency
  - Minnesota Office of Higher Education
- Lease purchase financing for equipment



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## **Current Amount of Debt Outstanding**

**(as of February 27, 2015)**

### **Guideline #1**

- All general obligation debt - \$6.471 billion
- All appropriation debt (issued by state and other entities) - \$1.594 billion
- Lease Revenue Bonds for real estate - \$107 million



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## **Current Amount Outstanding**

**(as of February 27, 2015)**

### **Guideline #2**

- Authorized but unissued debt - \$1.679 million
- Equipment Leases - \$30 million
- Moral obligations
  - Minnesota Housing Finance Agency - \$1.183 billion
  - Minnesota Office of Higher Education - \$519 million



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## 2015 Debt Issuance Plans

- State General Obligation Bonds – July/August 2015
- MHFA Infrastructure Bonds – August 2015

## Questions