

Minnesota Bonding 101

Generally, there are three main types of bonds the state can sell and each type depends on what the bonds will be used to pay for and how the bonds will be paid back:

General Obligation	Revenue	Appropriation
• Requires 60% vote in legislature • Capital projects, e.g. trunk hwy projects.	• Requires simple majority in legislature • Supported by revenue stream of project, e.g. public safety radio communications project.	• Requires simple majority in legislature • Supported by state agency appropriation, e.g. MN Housing Finance Agency

How Does The State Set the Amount For Bonding?

In February and November of each year, Minnesota's Dept. of Management and Budget prepares a forecast on the state's debt capacity. This forecast is used to determine how much the state can borrow in future years, including future bonding bills. In setting the bonding amount, the state must follow three guidelines:

1. Total outstanding bond amounts must be less than **3.25%** of state personal income (total of all income of all residents) – **MN at 1.89% as of November 2024 forecast.**
2. Total amount for all bond types, sold and unsold must be less than **6%** of total state personal income – **MN at 3.52% as of November 2024 Forecast.**
3. At least **40%** of state general obligation bonds must mature within **5 years** and **70%** within **10 years** – **MN at 43.4% within 5 years and 73.1% within 10 years as of November 2024 forecast.**

Using these three guidelines, and the rolling average forecasts of the last 10 years, the state will set the *maximum amount* which the state can borrow and still follow the guidelines. The table below shows the maximum forecasted amounts between 2025-2030.

While 2025-2026 bonding bills are forecasted to reach the maximum amount, bills in years 2027-2030 are forecasted to drop significantly lower than the maximum amount. This is due to the fact that in 2030 Minnesota is set to reach 40% for bonds retiring in 5 years and 70% in 10 years, the minimum level required under the state guidelines.

**Maximum Debt Capacity:
Scheduled Debt Retirement (Guideline #3)**

	Bonding Bills Assumed in the Nov. 2024 Forecast (millions)	Maximum New Debt Within Guideline #3 (millions)	% Retired in 5 Years as of 6/30 (Maximum Scenario)	% Retired in 10 Years as of 6/30 (Maximum Scenario)
FY 2025	\$790	\$790	42.2%	73.1%
FY 2026	\$1,010	\$1,010	41.7%	71.8%
FY 2027	\$165	\$171	40.8%	70.5%
FY 2028	\$1,010	\$1,510	40.3%	70.0%
FY 2029	\$165	\$255	40.2%	70.0%
FY 2030	\$1,010	\$1,260	40.0%	70.4%

Source: Minnesota Management and Budget Debt Capacity Forecast, December 4, 2024

The statement of indebtedness describes the amount of debt we are currently obligated to repay. As of December 4, 2024, the state of Minnesota has outstanding principal totaling \$8,397,385,000 which includes \$6,890,030,000 in outstanding principal for general obligation bonds (both various purpose and trunk highway bonds) and \$1,507,355,000 in outstanding principal for other tax-supported obligations. Please see the attached Exhibit I for more detail about these obligations.

Minnesota's Capital Investment Guidelines

- I. Total tax-supported principal outstanding is 3.25% or less of total state personal income.
 - a. Debt included:
 - i. State issued debt- GO various purpose bonds, trunk hwy, state appr. Bonds,
 - ii. State-supported debt- state standing appr, UMN MNHFA
2. Total amount of principal (both issued, and authorized but unissued) for state general obligations, state moral obligations, equipment capital leases, and real estate capital leases are not to exceed 6% of state personal income.
 - a. Debt included:
 - i. All debt included in guideline #1 including authorized but unissued
 - ii. Moral Obligations (housing finance agency, office of higher education)
 - iii. Lease purchase financing for equipment
3. At least 40% of general obligation debt are to mature within five years and 70% within ten years, if consistent with the useful life of the financed assets and/or market conditions.