

Governor's 2023 Capital Budget

Presentation to the Senate Capital Investment Committee

February 9, 2023 | Commissioner Jim Schowalter



mb MANAGEMENT
AND BUDGET

- 1. Overview of the Capital Budget Process**
- 2. Growing Needs for Minnesota's Infrastructure**
- 3. Updating 2022 Information for the 2023 Recommendations**
- 4. Overview of Governor's Infrastructure Plan**
- 5. Capital Budget Financing**



Capital Budget Process



The Capital Budget

- Developed in the odd numbered calendar year for submission to the Legislature in January of the even-numbered calendar year
- MMB posts Capital Budget Instructions, collects requests in the Capital Budget System, and publishes requests and the Governor's Recommendations



2022 Capital Budget Process

- **March – May 2021:** MMB authorizes Capital Budget System (CBS) users
- **Early May 2021:** MMB publishes instructions and CBS opens for requests
- **Mid-June 2021:** Deadline for state agency and local government requests
- **July 15, 2021:** Preliminary requests published and submitted to Legislature
- **Mid-October 2021:** Deadline for state agency and local government edits
- **Fall/Winter 2021:** Projects reviewed, including site visits, meetings, and public comments
- **January 18, 2022:** Final requests published and submitted to Legislature with the Governor's Recommendations



Growing Needs for Minnesota's Infrastructure



Nearly \$5.5 Billion in Requests from State Agencies and Political Subdivisions

Over \$4 billion requested in state agency requests for state facilities and local grant programs

Nearly \$1.5 billion requested in direct requests from local governments

As of January 2022



Updating 2022 Information for the 2023 Recommendations



Updating Projects

Requests that used
MMB's Inflation Schedule
to calculate costs



Can use MMB's updated
Inflation Schedule

Requests that used their
own inflation estimate to
calculate costs



Can update their project
costs



Overview of the Governor's Infrastructure Plan

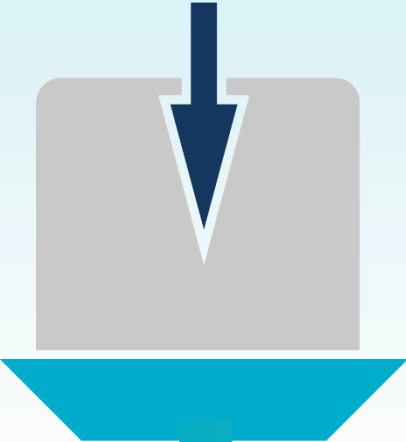


Governor's Infrastructure Plan



Governor's Infrastructure Plan

Over \$2 billion
in leveraged funds



\$3.3 billion
Governor's
Recommendations



Governor's Recommendations for IJA Implementation

Agency	Proposal	Source	FY 24-25	FY 26-27
Commerce	State Competitiveness Energy Fund	General	113,750	
Commerce	Utility Grid Reliability Assessment Extension	Special Revenue	2,000	2,000
Commerce	Energy Resources and Staffing	General	2,520	2,520
Health	Lead Service Line Inventory	General	6,000	
Management and Budget*	Expanded Financial Leadership and Oversight Capacity	General	4,406	5,036
Metropolitan Council	IJA Match/Bus Electrification	General	29,200	-
MNIT*	Statewide Cybersecurity Advancements	General	32,880	
Natural Resources	Modernizing Utility Licensing for State Lands and Public Waters	General	1,830	1,020
Public Facilities Authority	Water Infrastructure Initiative	GO Bonds	41,000	
Public Safety	State Patrol Commercial Vehicle Enforcement Federal Match	Trunk Highway	10,496	10,496
Transportation	Maximize Federal Transportation Climate Funding	General	4,000	4,000
Transportation	Multimodal Transportation Package	General	722,112	
		Trunk Highway Bonds	50,000	
Transportation	Registration Tab Fee Restructure	CSAH/MSAS	117,546	169,209
Subtotal, Operating Funds			1,046,740	194,281
Subtotal, Capital Budget			91,000	
Total Governor's Recommendation for IJA Match or Support, All Sources			1,137,740	194,281

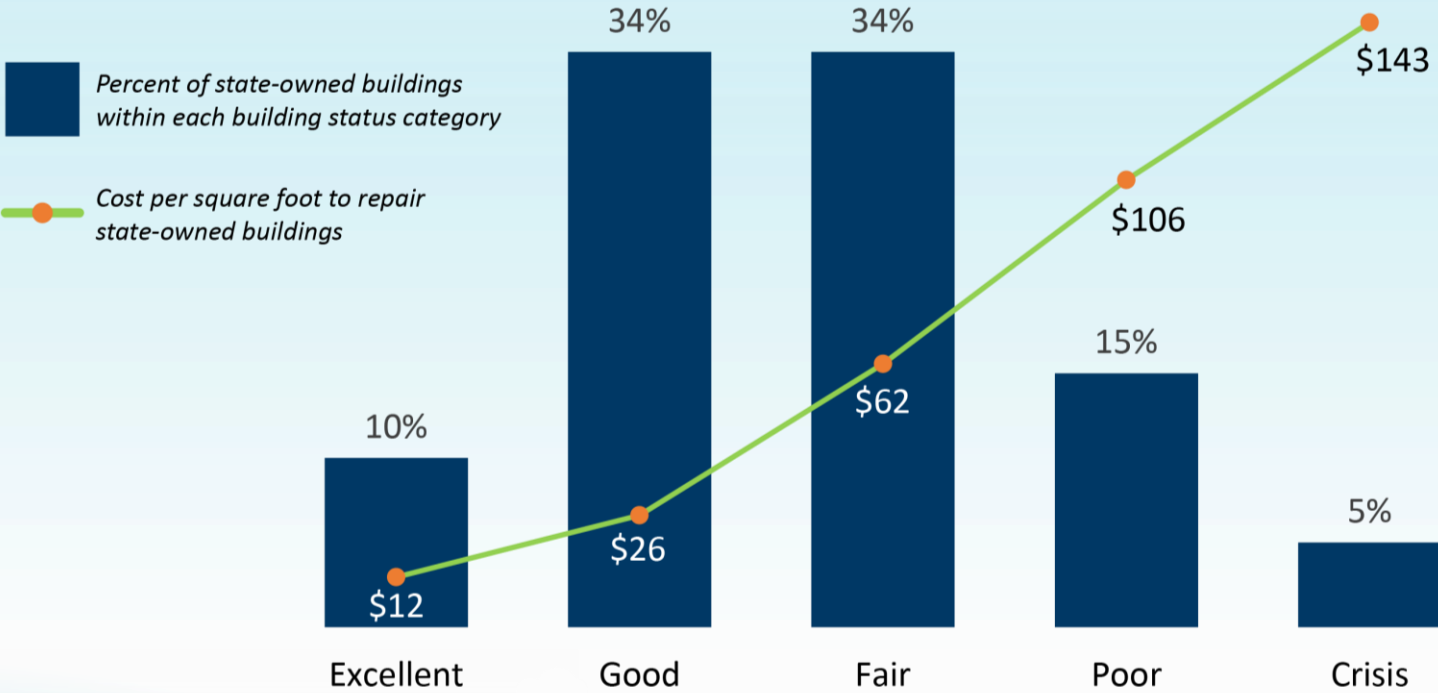
* IJA-related costs are a portion of larger proposal. Table reflects total costs of proposal.



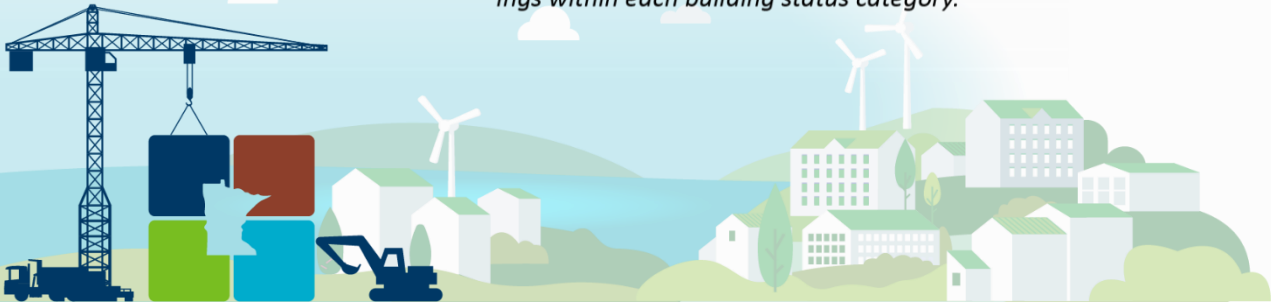
**Asset
Preservation:
Over \$1 billion**



Asset Preservation



The cost to maintain a building is cheaper than the cost to repair it. The line on the graph above highlights the cost per square foot to repair our state-owned buildings depending on the building condition status. The graph also reflects the percent of state-owned buildings within each building status category.





**Community
and Equity:
\$524 million**



A close-up photograph of several hands of different skin tones cupping a small, white house-shaped icon with a red roof. The hands are positioned in a way that suggests care and support. The background is slightly blurred, showing a person wearing a pink shirt and blue jeans.

**Housing and
Homelessness:
\$474 million**





**Environmental
Stewardship:
\$312 million**





**Roads, Bridges,
and Water
Systems:
\$651 million**





**Other:
\$74 million**



Capital Budget Financing



Capital Budget Funding Summary

General Obligation Bonds	\$1.891 billion
Other Financing	\$1.383 billion
Appropriation Bonds	\$250 million
User-Financed Bonds	\$58 million
Trunk Highway Bonds	\$168 million
Trunk Highway Cash	\$8 million
Equity focused cash investments	\$200 million
Other cash investments	\$699 million
Total	\$3.274 billion

Totals above rounded to the nearest million.



Biennial Impact of the Governor's Recommendations

General Fund	FY 2024-25	FY 2026-27
General Obligation Bonds	\$67,798	\$154,321
Appropriation Bonds	-	\$30,000
General Fund Cash	\$889,197	\$2,170
Total General Fund	\$956,995	\$186,491

Trunk Highway Fund	FY 2024-25	FY 2026-27
Trunk Highway Bonds	\$13,909	\$29,947
Trunk Highway Cash	\$8,432	-
Total Trunk Highway Fund	\$22,341	\$29,947

Amounts in thousands



Debt Capacity Guidelines



Guideline #1: Total tax-supported principal outstanding as a percent of personal income

Threshold: < 3.25%
Nov. Forecast: 2.02%



Guideline #2: Total amount of tax-supported principal (both issued, and authorized but unissued) as a percent of state personal income

Threshold: < 6.00%
Nov. Forecast: 3.28%



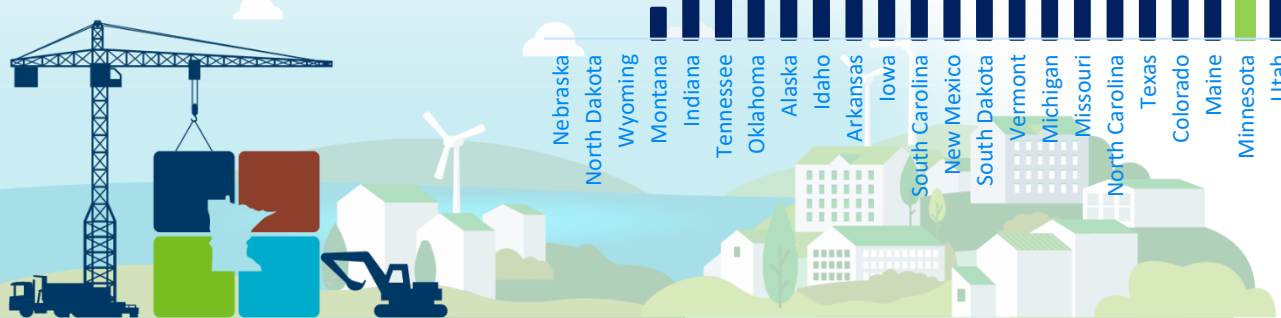
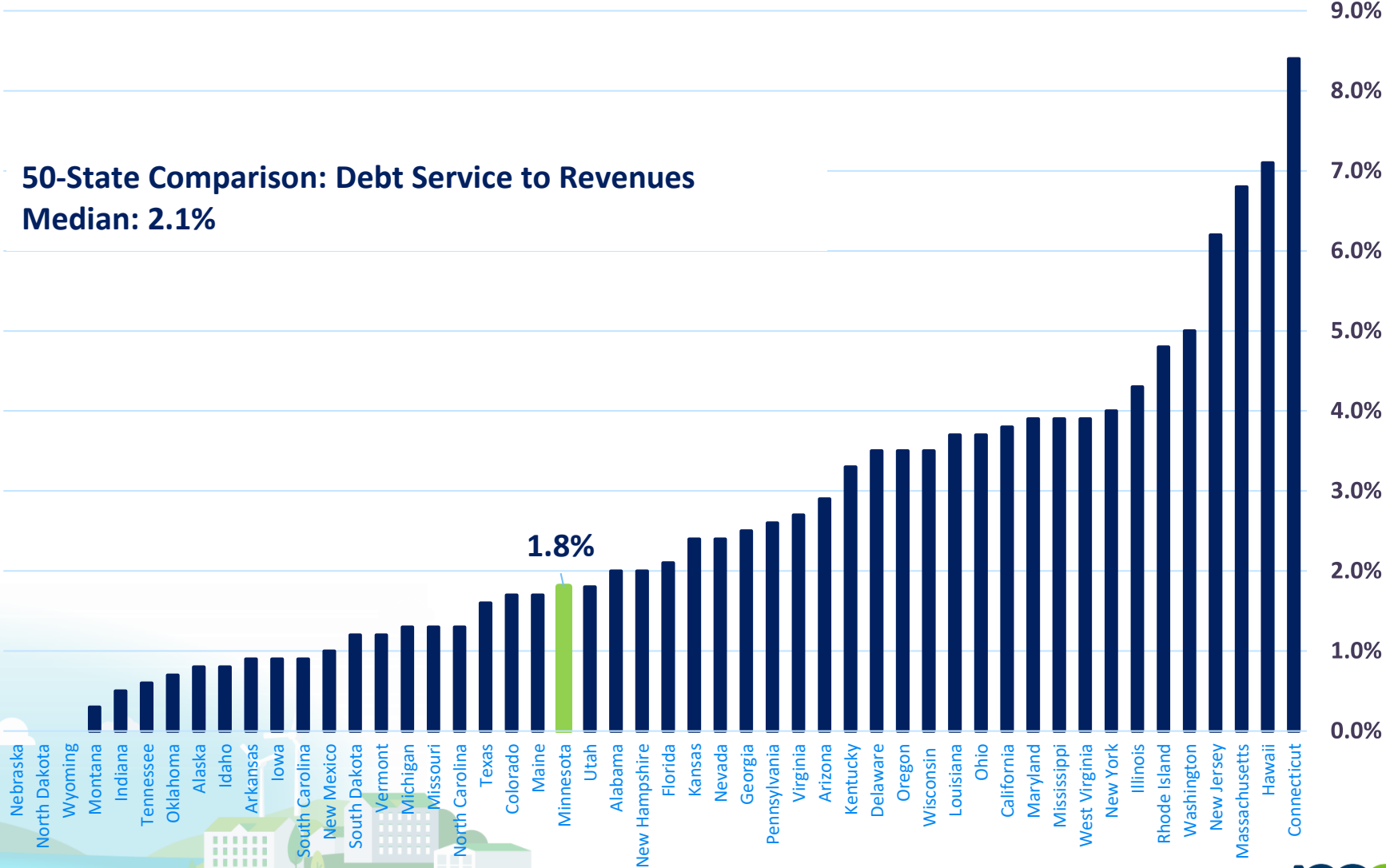
Guideline #3: No less than 40% of G.O. bonds scheduled to mature within five years and 70% of G.O. bonds scheduled to mature within 10 years

Threshold: \geq 40%/70%
Nov. Forecast: 42.7%/74.8%



Debt Service to Revenues Comparison

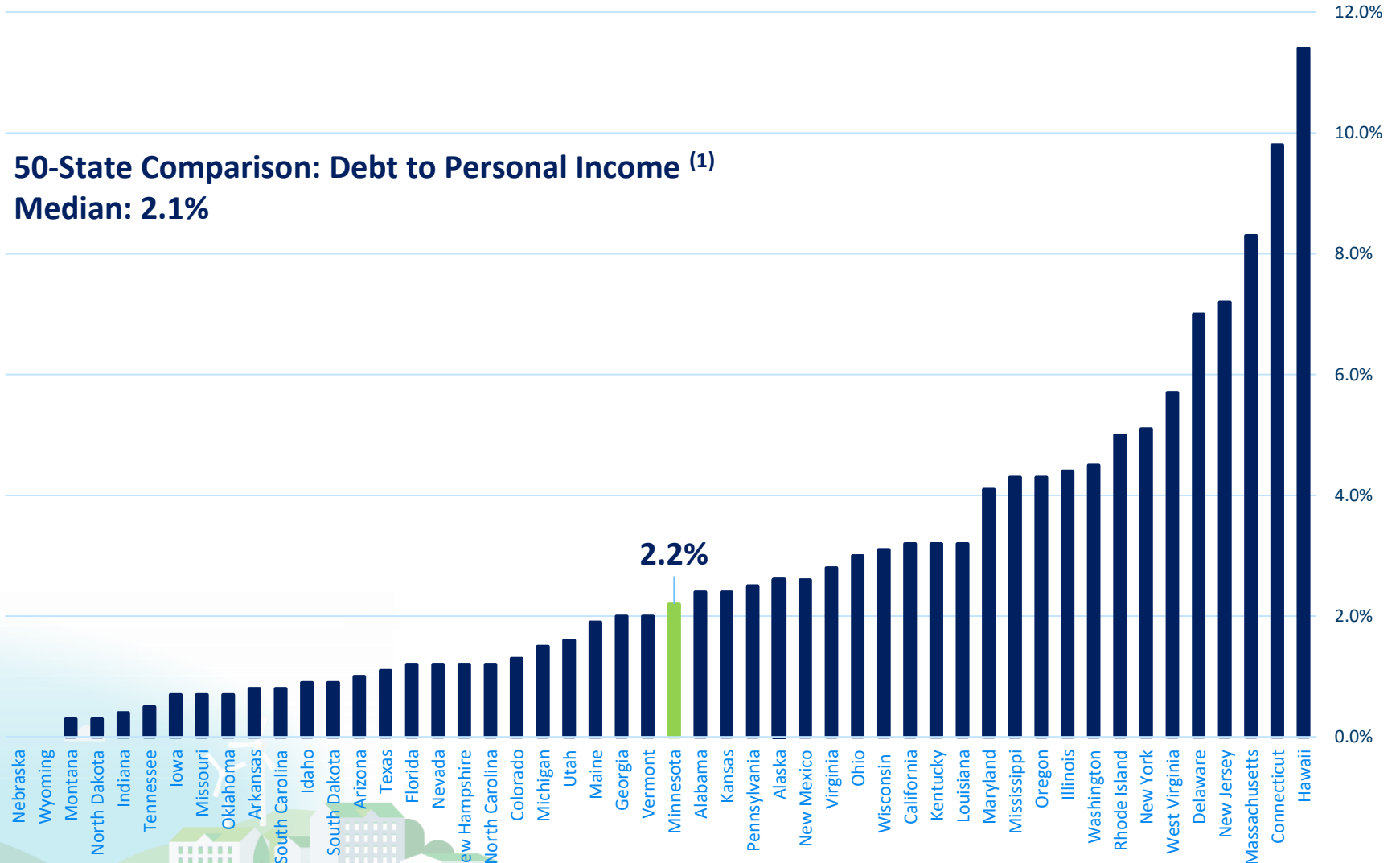
50-State Comparison: Debt Service to Revenues
 Median: 2.1%



Source: Moody's State Debt Medians 2022, September 7, 2022.

Debt to Personal Income Comparison

50-State Comparison: Debt to Personal Income (1)
 Median: 2.1%



Source: Moody's State Debt Medians 2022, September 7, 2022.



Capital Budget Materials

Materials are available on MMB's "Current Capital Budget" website:
<https://mn.gov/mmb/budget/capital-budget/current/>





Questions?