

Capital Investment Guidelines

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

- Consistent with rating agency approach and measure is comparable with other states
- Modernizes calculation to include tax-supported debt instruments that used to be outside of prior guidelines (trunk highway bonds, general fund appropriations for real estate leases, and standing general fund appropriations for debt issued by others)
- Relatively stable measure that is less sensitive to interest rate or revenue changes
- Sensitive to large one-time issuances and able to show long-term trends
- Maintains Minnesota's position as having a low to moderate debt burden
- Currently \$5.4 billion tax-supported debt issued which is equal to 2.5% of personal income

Guideline #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

- Comprehensive measure that includes all forms of state obligations
- Recognizes the total obligations authorized in law, not just the amount that has been issued
- Retains and updates an important element of current guidelines
- Data is easy to access and simple to understand
- Currently \$9.9 billion authorized (issued and not yet issued) which is equal to 4.5% of personal income

Guideline #3: 40% of general obligation debt shall be due within five years and 70% within ten years, if consistent with the useful life of the financed assets and/or market conditions

- Conservative debt management practice of the state is continued
- Pays down debt obligations quickly to preserve long-term flexibility and debt capacity
- Ensures that the cost of bonding bills is recognized quickly
- Creates some flexibility so that debt for certain assets (bridges, for example) might be financed differently than others (trails, for example)
- Maintains current practice for paying down debt quickly -- 40% of general obligation debt is due within five years and 70% is due within ten years