



Debt Capacity Forecast

Report to the Minnesota State Legislature | December 4, 2025



Office Memorandum

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To: Legislative Reference Library

From: Erin Campbell, Commissioner

EC

Subject: Report to the Legislature - Debt Capacity Forecast

Minnesota Statutes, Section 16A.105 requires the Commissioner of Management and Budget to prepare a debt capacity forecast to be delivered to the governor and legislature in February and November of each year.

Attached is the November 2025 debt capacity forecast. The state remains in compliance with its Capital Investment Guidelines with \$8.5 billion in outstanding debt.

Attachment

cc: Senator Erin Murphy
Senator Mark Johnson
Senator John Marty
Senator Eric Pratt
Senator Sandra Pappas
Senator Karin Housley

Representative Lisa Demuth
Representative Zack Stephenson
Representative Cedrick Frazier
Representative Paul Torkelson
Representative Mary Franson
Representative Fue Lee

Minnesota Management and Budget

Debt Capacity Forecast | November 2025

Introduction

Minnesota Statutes, Section 16A.105 requires the Commissioner of Management and Budget (“MMB”) to prepare a debt capacity forecast to be delivered to the governor and legislature in February and November of each year.

Statement of Indebtedness

The statement of indebtedness describes the amount of debt we are currently obligated to repay. As of November 30, 2025, the state of Minnesota has outstanding principal totaling \$8,544,940,000 which includes \$7,104,960,000 in outstanding principal for general obligation bonds (both various purpose and trunk highway bonds) and \$1,439,980,000 in outstanding principal for other tax-supported obligations. Please see the attached Exhibit 1 for more detail about these obligations.

The state has no general obligation short-term notes outstanding.

Debt Service Costs

The details of the actual and forecasted debt service costs for all of the state’s tax-supported debt are provided in the following table. The 2025 Legislature enacted an update to Minnesota Statutes, Section 16A.103, subd. 1a directing that the State’s budget forecast not include any assumption of future general obligation bond authorizations. Previously, debt service costs in the forecast included assumptions about the size of future capital budgets. Now, under current law, debt service costs do not assume any additional bond authorizations. The costs for Various Purpose debt on the following table reflect costs for general obligation bonds that have been sold, and that have been previously authorized by the legislature and will be sold over the coming years.

For trunk highway bonds, the forecast amounts for existing bond authorizations have been prepared based upon information provided by the Department of Transportation and do not assume any additional bond authorizations. The column entitled “Other Tax-Supported Bonds” reflects the actual debt service obligations in each fiscal year for the annual appropriation debt, including certificates of participation, identified in Exhibit 1.

The estimate for interest rates used for future bond issues is derived from the S&P Global Market Intelligence (“SPGMI”) data used to develop the November 2025 Budget and Economic Forecast.

Annual Debt Service Costs

(\$ in Thousands)

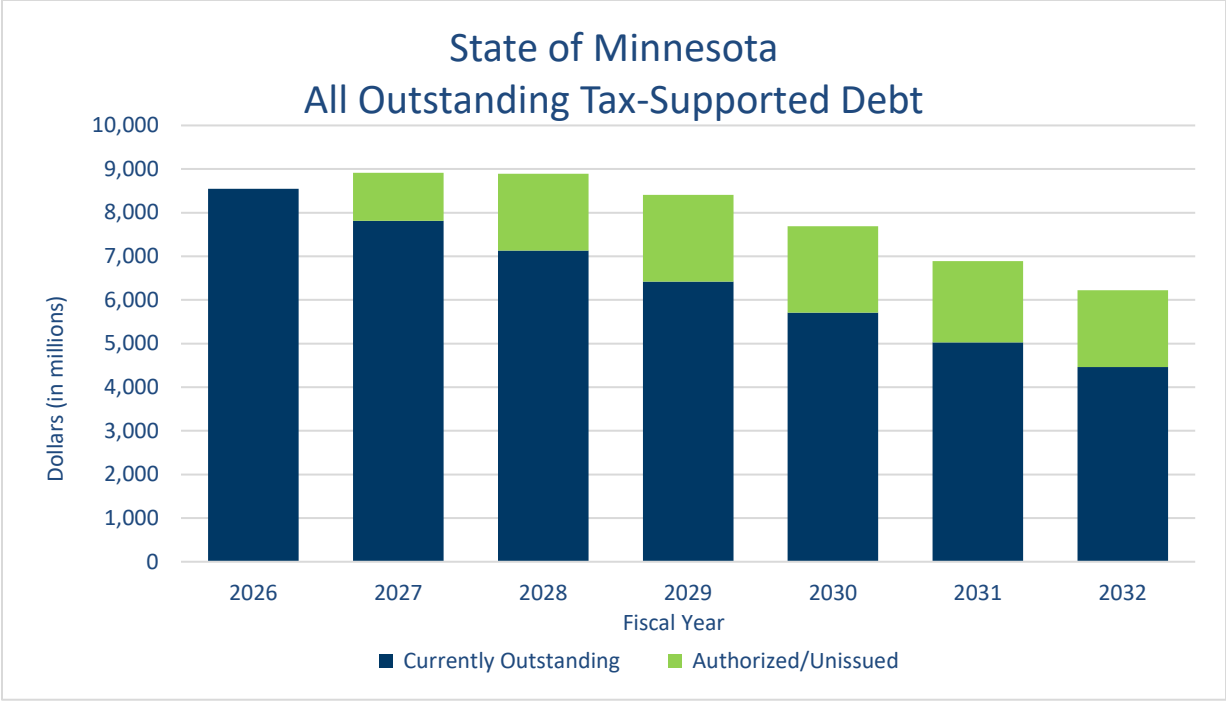
		General Obligation Bonds			Other Tax Supported Bonds	Total*
Fiscal Year		Various Purpose	Trunk Highway Fund	Subtotal		
2020	actual	\$540,081	\$209,821	\$749,902	\$144,487	\$894,389
2021	actual	\$515,544	\$177,571	\$693,115	\$145,383	\$838,498
2022	actual	\$592,426	\$213,138	\$805,564	\$148,572	\$954,137
2023	actual	\$547,759	\$247,908	\$795,667	\$538,938	\$1,334,605
2024	actual	\$507,577	\$229,906	\$737,483	\$149,110	\$886,593
2025	actual	\$558,601	\$248,817	\$807,418	\$179,097	\$986,516
2026	forecast	\$550,289	\$262,783	\$813,071	\$168,263	\$981,334
2027	forecast	\$614,402	\$317,950	\$932,353	\$172,832	\$1,105,185
2028	forecast	\$614,971	\$331,558	\$946,529	\$174,306	\$1,120,835
2029	forecast	\$603,246	\$336,797	\$940,043	\$176,636	\$1,116,679
2030	forecast	\$565,433	\$336,324	\$901,757	\$167,592	\$1,069,349
2031	forecast	\$486,652	\$321,643	\$808,295	\$123,302	\$931,597
2032	forecast	\$462,466	\$296,809	\$759,276	\$123,284	\$882,560

**Totals may not add due to rounding.*

Debt Authorized and Unissued

As of November 30, 2025, the state has authorized but not yet issued (sold) general obligation bonds for various purposes and trunk highway purposes totaling \$2,231,603,139. In addition to the general obligation bonds, the state has authorized appropriation bonds that have not been sold as of November 30, 2025. The 2025 Legislature authorized the sale of \$50 million of state appropriation bonds by the Housing Finance Agency to finance a housing infrastructure bonding program, of which \$50,000,000 million remains unissued. The total amount of authorized and unissued tax-supported obligations is \$2,281,603,139. All other currently authorized tax-supported obligations have been issued.

The following table shows the amount of all outstanding tax-supported debt as of November 30, 2025, and how this amount is expected to change over the coming years as existing debt is paid off and as the remaining authorized and unissued debt is sold.



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Managing State Debt Capacity

MMB updated the state's Capital Investment Guidelines in December 2009, to measure and track the debt of the state. Debt or capital investment guidelines are used to assist in decision making, communicate policy goals, provide recommendations for the structure of debt issues, and demonstrate a commitment to long-term capital and financial planning. MMB's guidelines are intended to:

- Be consistent with measures used by the credit rating agencies and foster direct comparisons with the debt burdens of other states
- Be comprehensive to ensure all kinds of tax-supported debt obligations are recognized
- Continue Minnesota's responsible financial management practices

Adherence to a debt management policy signals to rating agencies and the capital markets that a government is well managed and therefore is likely to meet its debt obligations in a timely manner. Minnesota's three Capital Investment Guidelines are:

1. Total tax-supported principal outstanding is 3.25% or less of total state personal income.
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.
3. 40% of general obligation debt is due within five years and 70% within ten years, if consistent with the useful life of the financed assets and/or market conditions.

The first two guidelines help to determine our capacity for additional debt. Both guidelines compare the state's debt¹ to the state's personal income. The first comparison is what the state owes, based on the amount of debt we have sold. The second comparison is what the state would owe if all the debt that has been authorized were sold. The third guideline measures how well we manage how quickly we pay off our general obligation debt. MMB is currently reviewing these guidelines and, if any changes are recommended, will communicate those revisions as part of the February 2026 forecast.

Debt Capacity Guideline #1

Guideline #1 compares the total amount of debt the state has sold and currently owes to the state's personal income. Each bonding bill authorizes MMB to sell bonds and use the proceeds for the projects identified in the bill. For any given bond authorization, we typically sell bonds over a period of years to make the funds available for the projects only when needed, and not sooner. It may be five years or more before the total amount authorized in each bonding bill is actually sold.

¹ "State debt" refers to tax-supported debt and includes state general obligation debt (both various purpose and trunk highway), certificates of participation and lease revenue bonds, state issued appropriation bonds, and other issuer bonds supported by a state appropriation.

Our measure for Guideline #1 is that the amount of debt sold and currently owed does not exceed 3.25% of personal income. The state is currently within Guideline #1. See Exhibit 2 for the State's compliance with Guideline #1 for the past 10 years.

Tax-supported principal sold	\$8.545 billion
FY 2026 state personal income estimate – SPGMI forecast	\$465.698 billion
As a percent of state personal income, not to exceed 3.25%	1.83%
Estimate of maximum amount of tax-supported debt that could be sold today before exceeding Guideline #1*	\$6.590 billion

*Bonds authorized are typically not sold all at once; they are sold over several years.

Debt Capacity Guideline #2

Guideline #2 compares the total amount of authorized state debt, including state moral obligations and equipment capital leases, to personal income. This guideline differs from the first guideline in that it includes all authorized state debt, whether it has been sold or not, and it also captures state moral obligations and equipment capital leases.

Our measure for Guideline #2 is that total debt authorized does not exceed 6% of personal income. The state is currently within Guideline #2. See Exhibit 2 for the State's compliance with Guideline #2 for the past 10 years.

Total principal sold plus authorized and not yet sold	\$16.355 billion
FY 2026 state personal income estimate – SPGMI forecast	\$465.698 billion
As a percent of state personal income, not to exceed 6.0%	3.51%
Estimated maximum amount of additional tax-supported debt that could be authorized before exceeding Guideline #2	\$11.587 billion

Debt Capacity Guideline #3

Guideline #3 evaluates how quickly we pay off our general obligation bonds. Rapid repayment of debt is a positive credit characteristic to the rating agencies, and it preserves borrowing capacity for future legislatures. Our goal is that no less than 40% of our general obligation debt is paid within five years and no less than 70% within ten years. MMB structures general obligation debt to comply with this guideline.

Of the state's general obligation bonds outstanding on June 30, 2025, 42.2% were scheduled to mature within five years and 73.1% were scheduled to mature with ten years. Furthermore, of the state's general obligation bonds expected to be outstanding on June 30, 2026, 42.4% are scheduled to mature within five years and 72.4% are scheduled to mature with ten years. The state is currently within Guideline #3.

Borrowing Capacity

Minnesota Statutes, Section 16A.105 requires MMB to show the borrowing capacity for the next six fiscal years. To meet this requirement, MMB must make a reasonable assumption about the scale and timing of future bonding authorizations. Although the budget forecast no longer includes debt service costs associated with future bonding bills, the long-standing pattern of biennial capital budgeting still offers a practical basis for modeling. Over the past 10 years, the state has authorized an average of \$1.1 billion in new bonding per biennium. For purposes of illustrating borrowing capacity, MMB assumes this historical level of activity continues, applying the full biennial amount in even-year capital budget cycles and holding an assumption of zero in odd years. This approach is intended to provide a consistent and transparent planning baseline but should not be viewed as a recommendation on any particular level of borrowing.

The following table shows the debt service costs associated with this assumed level of future borrowing for illustrative planning purposes. The additional debt service cost reflects the general fund costs above what is reflected in the current budget forecast.

Debt Service Planning Estimates (Future GO Authorizations)							
<i>(dollars in millions)</i>	FY26	FY27	FY28	FY29	FY30	FY31	FY32
New Bonding Authorization	\$1,100	\$0	\$1,100	\$0	\$1,100	\$0	\$1,100
Aggregate Debt Service	\$550	\$634	\$672	\$712	\$719	\$702	\$710
Additional Debt Service Cost	-	\$19	\$57	\$109	\$153	\$216	\$248

While this borrowing-capacity illustration reflects a continuation of recent legislative practice, the state's formal debt guidelines also provide a separate measure of maximum borrowing capacity. The next section shows the state's maximum debt capacity for comparison.

Maximum Debt Capacity under Current Guidelines

The maximum debt capacity refers to the amount of additional debt that could be authorized each legislative session without exceeding our debt guidelines. This information can be used to answer the question of how big a bonding bill *could* be, but does not suggest how big a bonding bill *should* be.

Rating agencies view the state's adherence to debt guidelines as a positive factor in the state's overall credit rating.

The following tables highlight the maximum debt limits under the debt guidelines. Because the guidelines measure debt differently, there can be different maximums under each guideline.

Maximum Limits Under Guidelines #1 and #2: Personal Income

The table below shows the maximum annual new debt authorizations until the limit in either Guideline #1 or Guideline #2 is reached. Our calculations assume that the maximum amount of state

debt would be authorized. This table shows that the maximum limit under Guideline #1 would be reached first in FY 2032. The table also shows the additional general fund debt service costs resulting from the maximum authorizations.

Maximum Debt Capacity: Personal Income (Guidelines #1 and #2)						
<i>Dollars in millions</i>	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
Maximum New Debt Authorizations Within Debt Guidelines #1 and #2	\$4,150	\$3,850	\$2,500	\$1,700	\$1,250	\$850
	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032
Impact on Guideline #1	1.96%	2.31%	2.84%	3.06%	3.22%	3.25%
Impact on Guideline #2	4.20%	4.74%	4.95%	5.00%	5.11%	5.15%
Additional Debt Service Required	\$73	\$300	\$687	\$900	\$1,195	\$1,162

* Impacts to Guidelines #1 and #2 from a bonding bill passed during regular legislative session are first reported in a November debt capacity forecast and therefore shown in the following fiscal year

Notes about the table above:

1. The amounts listed in the “Maximum New Debt Authorizations” line could be allocated among any of the following types of debt: various purpose general obligation bonds, trunk highway general obligation bonds, general fund-supported appropriation bonds, certificates of participation and real estate and equipment capital leases.
2. The assumptions for personal income are based on the November 2025 forecast information provided by SPGMI. Changes to personal income in subsequent forecasts will change the estimated capacity of both Guidelines #1 and #2.
3. Impacts to Guideline #3 are not reflected in this table.

Maximum Limit Under Guideline #3: Scheduled Debt Retirement

The purpose of Guideline #3 is to preserve additional borrowing capacity for future legislatures by paying off general obligation debt quickly. MMB structures general obligation debt with level principal in each maturity as a means of rapidly repaying the obligations, which has helped the state maintain compliance with Guideline #3. New bond authorizations at the maximum Guideline #1 and #2 amounts shown in the table above would result in a repayment schedule that drops below the 40 percent and 70 percent thresholds under a level principal payment structure. If faced with that situation, MMB would need to seek alternative repayment schedules to stay in compliance with Guideline #3. Those alternative repayment schedules would add additional general fund debt service costs in the near-term to preserve long-term capacity.

The table below shows the maximum amount of general obligation debt that can be authorized in the next 6 years while allowing the state to remain in compliance with Guideline #3. These amounts would also allow the state to continue the practice of using level principal payments consistent with the current forecast. The maximum amounts shown are in addition to the existing \$2,231,603,139 billion

in authorized but unissued general obligation debt the state is already authorized to sell. The percentages below have been calculated based on assumed bond sale sizes over the coming years following the historical pattern of biennial capital budgeting.

Maximum Debt Capacity:				
Scheduled Debt Retirement (Guideline #3)				
	Maximum New Debt Within Guideline #3 (millions)	% Retired in 5 Years as of 6/30	% Retired in 10 Years as of 6/30	Additional Debt Service Required (millions)
FY 2026	\$1,200	42.4%	72.4%	-
FY 2027	\$50	41.2%	70.8%	\$21
FY 2028	\$1,150	40.5%	70.0%	\$63
FY 2029	\$250	40.4%	70.0%	\$122
FY 2030	\$1,200	40.2%	70.5%	\$175
FY 2031	\$375	40.0%	71.0%	\$257

Notes about the table above:

Debt service from a 2026 bonding bill will begin in FY 2027. Additionally, the following factors might change the anticipated schedule of debt retirements over time:

1. Changes to the cash flow needs of authorized projects, resulting in either acceleration or delay of assumed future bond sales.
2. Changed market conditions, such as higher interest rates resulting in lower premiums and higher par amount of bonds sold.
3. Refinancing opportunities that reduce total outstanding debt.

Summary of Outstanding Principal as of 11/30/2025 November 2025 Budget and Economic Forecast

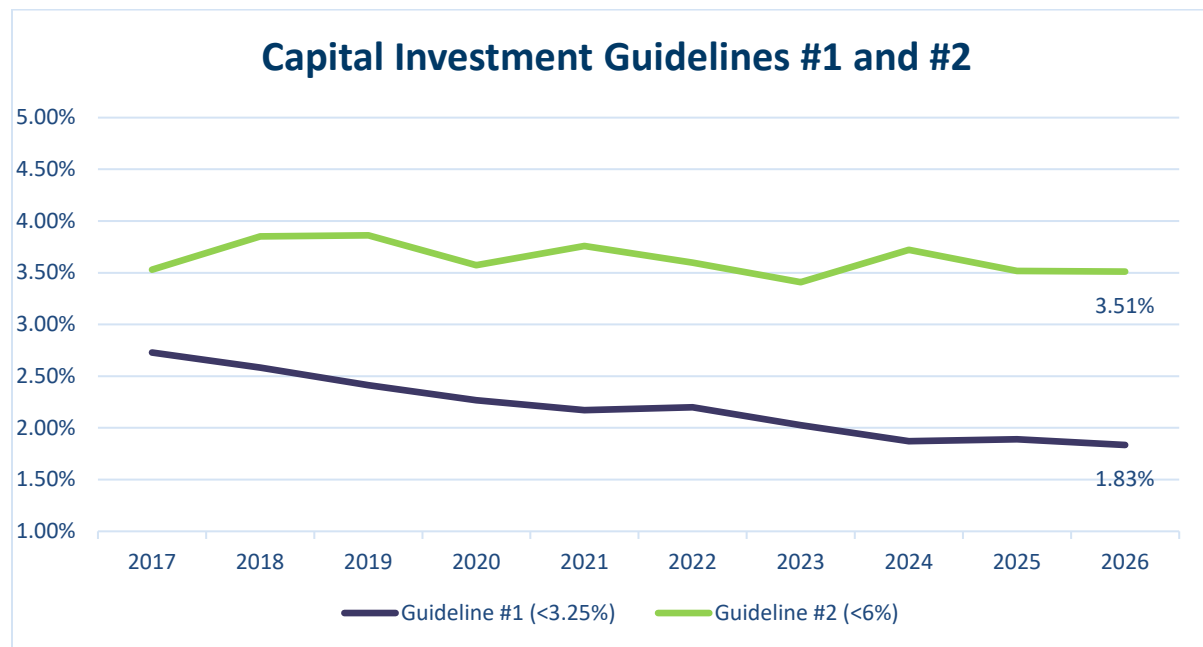
Tax-Supported Debt (Guideline #1)	Principal Outstanding	Authorized, Unissued	Total
All State General Obligation Debt			
General Fund State General Obligation Debt	\$ 4,551,445,000	\$ 1,295,406,553	\$ 5,846,851,553
Trunk Highway Fund General Obligation Debt	2,553,515,000	936,196,586	3,489,711,586
MHFA Supportive Housing 2008	12,480,000	0	12,480,000
MHFA Housing Infrastructure 2012	16,325,000	0	16,325,000
MHFA Housing Infrastructure 2014	59,205,000	0	59,205,000
MHFA Housing Infrastructure 2015	8,355,000	0	8,355,000
MHFA Housing Infrastructure 2017	26,190,000	0	26,190,000
MHFA Housing Infrastructure 2018	66,265,000	0	66,265,000
MHFA Housing Infrastructure 2019	52,685,000	0	52,685,000
MHFA Housing Infrastructure 2020	89,755,000	0	89,755,000
MHFA Housing Infrastructure 2021	93,205,000	0	93,205,000
MHFA Housing Infrastructure 2024	50,000,000	0	50,000,000
MHFA Housing Infrastructure 2025	0	50,000,000	50,000,000
U of M TCF Bank Stadium	32,870,000	0	32,870,000
U of M Biosciences Facilities	97,110,000	0	97,110,000
State General Fund Appropriation Refunding Bonds	224,445,000	0	224,445,000
Certificates of Participation - Legislative Office Facility	50,095,000	0	50,095,000
Certificates of Participation - State Office Building	426,380,000	0	426,380,000
Lewis and Clark Regional Water System Appropriation Bonds	11,845,000	0	11,845,000
Duluth Regional Exchange Appropriation Bonds	87,680,000	0	87,680,000
Public Television Equipment Appropriation Bonds	8,925,000	0	8,925,000
Electric Vehicle Infrastructure Appropriation Bonds	1,190,000	0	1,190,000
Response to Releases Appropriation Bonds	24,975,000	0	24,975,000
TOTAL - Tax-Supported Debt	\$ 8,544,940,000	\$ 2,281,603,139	\$ 10,826,543,139
Other Obligations (Guideline #2)			
Tax-Supported Debt (issued and authorized but unissued)			\$ 10,826,543,139
MHFA Moral Obligation Debt ¹			5,056,630,000
MOHE Moral Obligation Debt			346,830,000
Equipment Leases			102,173,700
Guaranteed Energy Savings Program (GESP) Equipment Leases			22,782,860
TOTAL - All Obligations			\$ 16,354,959,699
FY 2026 State Personal Income Estimate – SPGMI Forecast:		\$ 465,697,500,000	
State Tax-Supported Debt as a Percent of Personal Income:		1.83%	
Estimated maximum additional principal capacity for all tax-supported debt @ 3.25%		\$ 6,590,228,750	
All Obligations as a Percent of Personal Income:		3.51%	
Estimated maximum additional principal capacity for all obligations @ 6.0%		\$ 11,586,890,301	

¹ MHFA has a \$9 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.

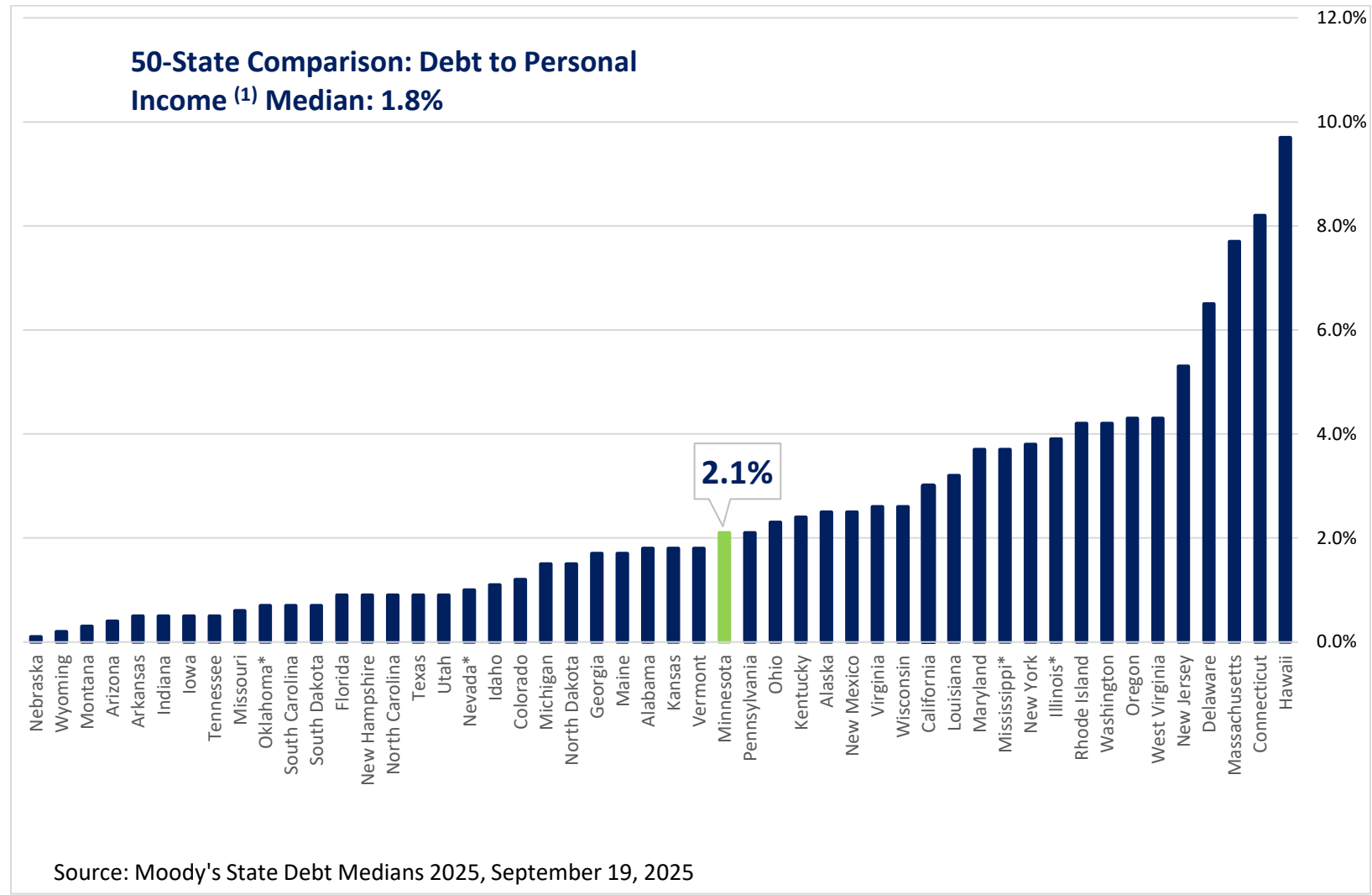
Historic and Comparative Debt Metrics

This Exhibit provides additional information regarding the State's debt capacity. It includes a graph showing historic compliance with Guideline #1 and Guideline #2 under the State's Capital Investment Guidelines, as well as graphs showing direct comparisons to the debt of other states.

The following graph shows the amount of outstanding debt owed compared to state personal income (Guideline #1) and the total amount of authorized debt compared to state personal income (Guideline #2) for each of the last 10 fiscal years.



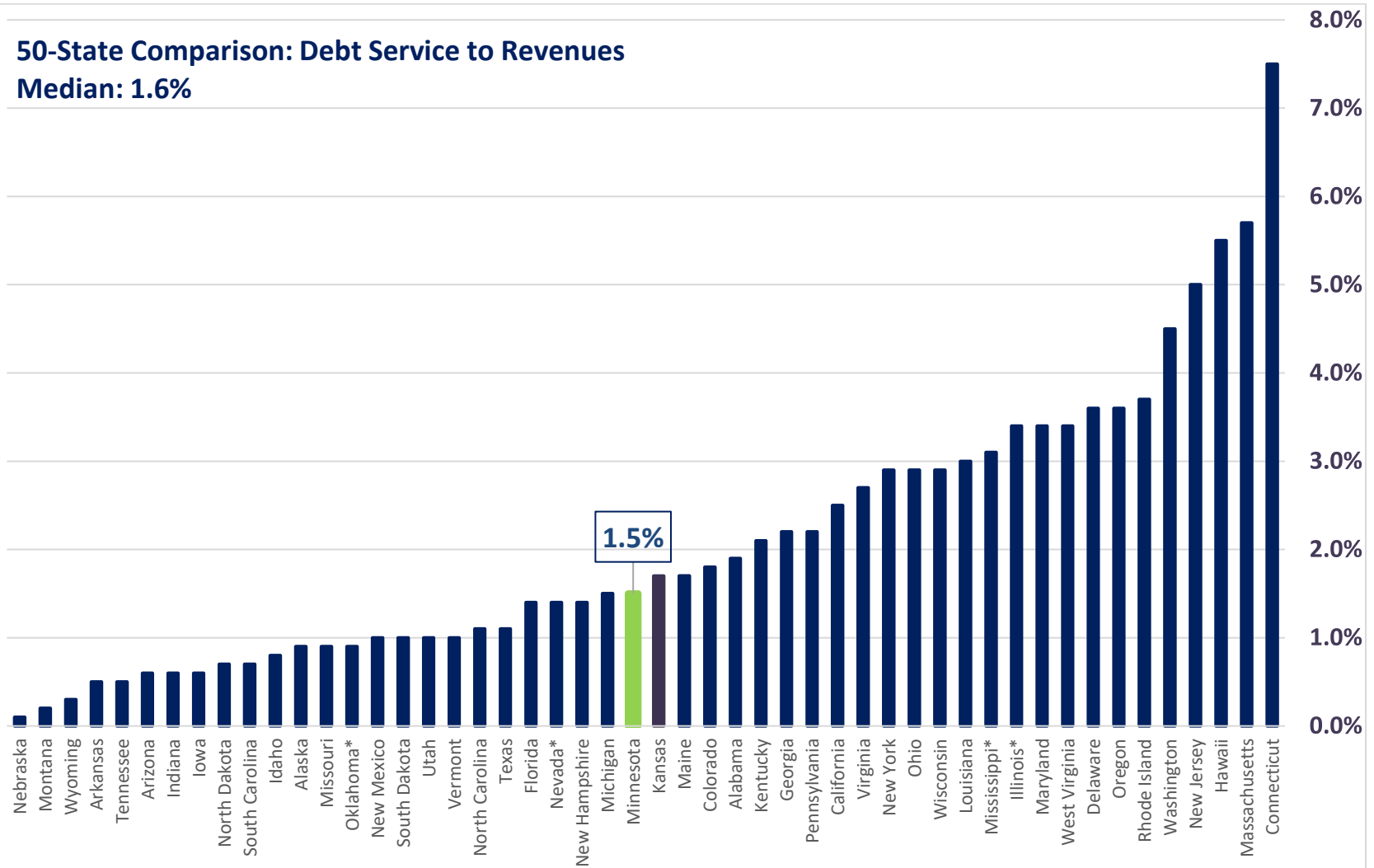
The following two graphs show how all 50 states compare on two commonly used debt capacity ratios – Debt to Personal Income and Debt Service to Revenues – highlighting how Minnesota ranks relative to the other states.



⁽¹⁾ Moody's compared 2023 personal income to 2024 net tax supported debt, while MMB's calculations throughout this report use current personal income estimates from SPGMI and current outstanding net tax supported debt. These factors account for the difference in the ratio reported by Moody's in this chart from MMB's Guideline #1 calculation.

50-State Comparison: Debt Service to Revenues

Median: 1.6%



Source: Moody's State Debt Medians 2025, September 19, 2025