STATE OF MINNESOTA

Office Memorandum

Department: of Finance

Date: November 30, 2005

To: Legislative Reference Library
Chief Clerk of the House of Representatives
Secretary of the Senate

From: Peggy S. Ingison PSI
Commissioner

Phone: 651-297-7881

Subject: Report to Legislature - Debt Capacity Report

Minnesota Statute 16A.105 requires the Commissioner of Finance in February and November of each year to prepare a debt capacity report to be delivered to the governor and legislature.

Attached is the November 2005 debt capacity report.

Attachment

cc:	Senator Dean Johnson	Representative Sviggum
	Senator Day	Representative Entenza
	Senator Cohen	Representative Knoblach
	Senator Langseth	Representative Dorman

Debt Capacity Forecast
November 2005

Minnesota Statute 16A.105 requires the Commissioner of Finance in February and November of each year to prepare a debt capacity forecast to be delivered to the governor and the legislature.

Statement of Indebtedness

The state of Minnesota on November 1, 2005 had $3,633,275,000 of general obligation bonds outstanding.

The state has no general obligation notes outstanding.

The Laws of Minnesota 1991, Chapter 350, authorized the state to issue revenue bonds secured by the state's full faith and credit to finance the construction and equipping of an engine repair facility in Hibbing and an aircraft maintenance facility in Duluth. The state issued $47,670,000 of these revenue bonds in May 1995 of which $36,850,000 remains outstanding. The state's full faith and credit secures all of the bonds.

Debt Service Costs

The debt service costs for the state's general obligation bonds are shown below. The amounts shown are the general fund costs by fiscal year and include the amount of debt service paid from the cigarette tax and the sports and health club tax. In this forecast, the assumption for future capital budgets is $560 million in even numbered legislative sessions and $135 million in odd numbered years.

Year	Actual	Year	Forecast
2003	297,640,000	2007	423,989,000
2004	266,947,000	2008	430,412,000
2005	324,568,000	2009	477,084,000
2006	353,618,000	2010	436,147,000
		2011	480,435,000
		2012	463,273,000
		2013	478,679,000

Debt Authorized and Unissued

The state has authorized and unissued general obligation bonds totaling $1,043,385,600.

Future Debt Capacity

Future general obligation debt capacity is forecast through the 2012-13 biennium. To make this forecast, many variables must be forecasted. Following are some of the numerous variables that are part of making this forecast.

The state's debt management policy has a guideline that limits the appropriation for debt service from the general fund to 3% of general fund revenues. The Department of Finance revenue forecast is used for revenues in the next two biennia and is increased in future years based upon projected economic growth factors. The 3% limit under the guideline is then used to estimate the maximum amount of general fund revenues available for debt service.

Other variables that are considered as part of the forecast are interest rates on bonds sold, interest rates for investment earnings on balances in the debt service fund and the bond proceeds fund, various receipts coming into the debt service fund, cash flow on future capital projects, the dollar amount of bonds to be sold, and the timing of the sale of bonds.

The forecast of future debt capacity also assumes that major capital budgets will be approved in the even numbered legislative sessions and small emergency capital budgets will be approved in the odd numbered years. The assumption is that the large capital budgets are passed by the legislature in level amounts.

Based upon all these assumptions, the maximum debt capacity for capital budgets in even numbered years is $965,000,000 each even numbered year through 2012 and is $135,000,000 in each odd numbered year through 2013.