




Date: March 12, 2020

To: Senator Julie A. Rosen, Chair, Finance Committee
 Senator David H. Senjem, Chair, Capital Investment Committee
 Representative Lyndon Carlson, Sr., Chair, Ways and Means
 Representative Mary Murphy, Chair, Capital Investment Division

From: Myron Frans, Commissioner, Minnesota Management and Budget 

Subject: Update to 2020 Governor’s Capital Budget Recommendations

The purpose of this letter is to officially transmit an update to Governor Walz’s 2020 capital budget recommendations, which were released on January 15, 2020. While the overall bonding recommendation remains the same, the changes described in this letter have a general fund cost of \$7.715 million in FY 2020-21 and a savings of \$1.245 million in FY 2022-23, and trunk highway fund savings of \$318,000 in FY 2020-21 and \$314,000 in FY 2022-23.

(\$ in thousands)

	Jan. 15 Gov Rec		Updated Gov Rec		Change	
	FY 2021	FY 2022-23	FY 2021	FY 2022-23	FY 2021	FY 2022-23
GO Bond Debt Service	20,257	161,347	19,818	159,798	-439	-1,549
General Fund Cash	56,118	470	64,335	900	8,217	430
AP Bond Debt Service	5,089	18,178	5,026	18,052	-63	-126
Trunk Highway Costs	2,319	22,564	2,001	22,250	-318	-314
Total General Fund Impact	81,464	179,995	89,179	178,750	7,715	-1,245
Total Trunk Highway Fund Impact	2,319	22,564	2,001	22,250	-318	-314

Below you will find a summary of the three changes to the Governor’s capital budget recommendations and a revision to debt services costs due to the February 2020 forecast.

1. Maximum Effort School Loan Program Language (new)

The Governor recommends a statutory language change to the Maximum Effort School Loan (MESL) program, which provides loans for capital projects to school districts with low property tax capacities.

- This recommendation would cancel the remaining loans except for an amount equal to the amount the district would levy for the remainder of the loan period.
- This recommendation would also amend debt service equalization aid to exclude the additional maximum effort levy from aid eligibility.

- Finally, this recommendation would limit future capital loans to the portion of the approved amount districts are expected to repay over the 50-year term of the loan with the remaining balance being a state grant.

The net savings to the general fund is \$18,000 in FY 2021 and \$33,000 in FY 2022-23.

2. Funding for the Administration of Local Grants (new)

The Governor recommends \$100,000 of general fund cash per year for the Department of Natural Resources (DNR) and \$135,000 per year for the Department of Employment and Economic Development (DEED) from the general fund in FY 2021-24 to administer local project grants included in the Governor’s 2020 Capital Budget Recommendations.

3. Local Road Wetland Replacement Program (new)

The Governor recommends \$8 million of cash in FY 2021 from the general fund to the Minnesota Board of Water & Soil Resources (BWSR) for the purchase of wetland replacement credits to avoid delays with some local road projects. The bonding proposal will take at least several months to generate credits, and this new recommendation fills the gap in availability.

4. Debt Service Costs (updated)

The projected cost of debt service decreases from the November 2019 Forecast to the February 2020 Forecast, due to lower bond interest rates. This forecast update applies to the estimated cost of the Governor’s 2020 Capital Budget Recommendations.

Inclusive of the additions of (1) the MESL language, (2) administrative funding at DNR and DEED, (3) funding for the BWSR Local Road Wetland Replacement Program, and (4) the debt service costs update, the total revised costs are outlined below:

(\$ in thousands)

Summary of Changes	FY 2021	FY 2022-23
(Revised) General Fund Cost	80,962	178,313
(New) Max Effort School Loan Program	-18	-33
(New) Administration of Local Grants	235	470
(New) Local Road Wetland Replacement Program	8,000	0
Total Revised General Fund Costs	89,179	178,750
(Revised) Trunk Highway Debt Service	2,001	22,250
Total Revised Trunk Highway Fund Costs	2,001	22,250

Should you have any questions about this revised recommendation, please contact MMB’s Capital Budget Coordinator at Marianne.Conboy@state.mn.us or 651-201-8189.

cc:

Rep. Melissa Hortman, Speaker of the House
 Sen. Paul Gazelka, Majority Leader
 Rep. Kurt Daudt, Minority Leader

Sen. Susan Kent, Minority Leader
Rep. Dean Urdahl, Ranking Minority Member, Capital Investment
Sen. Sandra Pappas, Ranking Minority Member, Capital Investment
Bill Marx, Chief Fiscal Analyst, House
Eric Nauman, Lead Fiscal Analyst, Senate
Andy Lee, Capital Investment Fiscal Analyst, House
Casey Muhm, Capital Investment Fiscal Analyst, Senate
Hue Nguyen, Deputy Chief of Staff, Governor's Office
Dominic McQuerry, Policy Advisor, Governor's Office
Britta Reitan, Assistant Commissioner, Minnesota Management & Budget
Mary Cathryn Ricker, Commissioner, Minnesota Department of Education
Steve Grove, Commissioner, Department of Employment and Economic Development
Sarah Strommen, Commissioner, Department of Natural Resources
John Jaschke, Executive Director, Minnesota Board of Water and Soil Resources