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MINNESOTA
STATE GOVERNMENT

ISSUES

Executive Branch Policy Development Program
1984-1985

STATE OF MINNESOTA
DEPARTMENT OF FINANCE
DEBT MANAGEMENT POLICY

STATE OF MINNESOTA
DEPARTMENT OF FINANCE
DEBT MANAGEMENT POLICY

DEBT MANAGEMENT POLICY - SUMMARY

The state established a Debt Management Policy as part of the 1979 Capital Budget. The policy had three objectives:

1. To maintain the state's AAA credit rating;

2. To minimize state borrowing costs; and

3. To provide a reasonable financing mechanism within a prudent debt burden.

Since the state is now rated AA, the first policy objective has been revised to regain the AAA rating.

- The first policy guideline to accomplish the objectives limits appropriations for General Fund debt service to 2.5% of General Fund revenue.

- The second guideline of the Debt Management Policy limits the ratio of the total general obligation long-term debt to 2.5% of the total personal income of the state.

- The third guideline is to limit the ratio of the total debt of state agencies, state public corporations and the University of Minnesota to 3.5% of personal income of the state.

- Higher interest rates over the past several years have resulted in the state paying increased total interest expenses on its general obligation debt. Each year a greater portion of the General Fund debt service goes for interest payments rather than principal repayments.

- From 1971 through 1981, with one short exception, inflation was rising at a faster rate than the interest cost to the state. During this period, the financing of capital projects by the sale of bonds was advantageous, because cheaper future dollars could be used to finance a project. However, the interest rate on state bonds now significantly exceeds the current and forecast rate of inflation. The use of bonding to finance capital projects now results in a real interest rate penalty.

- At present, $303,735,000 in bonds to be issued for past authorizations remain because the Department of Finance had to limit the sale of bonds due to high interest rates and the state's budget problems in 1981 and 1982.

- The number of authorized projects which can be build is based upon the amount of bonds which can be sold. The amount of bonds which can be sold is based upon the debt service appropriation in the General Fund.

Recommendation - General Fund Debt Service

The following recommendations are made for funding of capital projects through fiscal year 1989.

1. The General Fund appropriation for debt service should not exceed 3.0% level of projected revenues.

2. All proposed projects which are actually repairs and betterments should be funded by appropriations from the General Fund. The amount recommended for the 1984 Session is $31,522,000.

3. Funding for capital projects which exceed the 3.0% General Fund debt service guidelines should be financed by appropriations from the General Fund, to the extent such revenues are available.

4. Limit the future sales of revenue bonds to reduce the total of revenue debt to 3.5% of personal income. Limiting revenue bonds sales would indicate to the bond rating agencies the state's desire to control the future growth of revenue debt. The current ratio is heavily influenced by the University Hospital Bonds. As this issue matures and personal income grows, the target of 3.5% becomes achievable.

5. Cancel the authorization for projects for which the bonds are unlikely to be sold. Bond authorizations which are greater than the actual costs should be cancelled and the excess authorizations appropriated for other projects.

Department of Finance
April 4, 1984

STATE OF MINNESOTA

DEPARTMENT OF FINANCE

DEBT MANAGEMENT POLICY

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The state established a Debt Management Policy as part of the 1979 Capital Budget. The policy had three objectives:

1. To maintain the state's AAA credit rating;
2. To minimize state borrowing costs; and
3. To provide a reasonable financing mechanism within a prudent debt burden.

The first policy guideline to accomplish the objectives limits the appropriations for General Fund debt service to 2.5% of General Fund revenue. These guidelines established a basis for determining the carrying capacity for debt of the General Fund. In recent years, because of high interest rates, a greater portion of the General Fund debt service appropriation has been used to pay interest rather than repay principal. In addition, because of the recent recession, total General Fund revenues have slowed and that has limited the growth in the appropriation for General Fund debt service. The actual percentage for Minnesota was 2.7% in 1983.

The second guideline of the Debt Management Policy limits the ratio of the total general obligation long-term debt to 2.5% of the total personal income of the state. The use of this ratio which is the traditional ratio used by financial analysts in reviewing the debt of states, allows Minnesota to be compared with other states. The recent high interest rates have reduced the amount of debt sold and therefore have reversed the growth in this ratio. The trend nationally has been a decline in this ratio in recent years. The actual ratio for Minnesota was 2.0% in 1983.

DEBT MANAGEMENT POLICY (Contd.)

The third guideline is to limit the ratio of the total debt of state agencies, state public corporations and the University of Minnesota to 3.5% of personal income of the state. This ratio was established at a time when revenue debt was receiving additional attention from the bond rating agencies. The level of revenue debt, and the moral obligation of the state which is attached to a portion of it, is now a consideration in rating the state's general obligation bonds.

By establishing the 3.5% limit, which was the percentage in 1979 when the Debt Management Policy was established, the state indicated to the financial analysts its desire to limit future revenue debt growth. The actual percentage in fiscal year 1983 was 3.8%.

The table below indicates the 1975-83 actual general obligation debt ratios for the Debt Management Policy. Amounts based upon the biennial budget are also shown. The amount shown for debt service is the amount actually paid from the state Bond Fund, not the General Fund appropriation. The General Fund debt service shown in the alternatives section of this report is the appropriated amount transferred to the Bond Fund rather than the debt service payment from the Bond Fund. The debt service amounts shown for 1984 and 1985 are estimates.

TABLE 1

Fiscal Year	General Fund Outstanding Debt (Millions)	Debt to Personal Income %	General Fund Debt Service (Millions)	General Fund Debt Service to General Fund Net Revenue (%)
1975	457.0	2.8	54.9	2.6
1976	462.6	2.6	54.3	2.5
1977	595.9	2.8	56.5	2.3
1978	656.7	2.7	71.0	2.6
1979	696.1	2.5	79.3	2.5
1980	754.3	2.3	85.4	2.6
1981	784.3	2.1	94.3	2.3
1982	841.1	2.1	103.0	2.7
1983	835.0	2.0	117.4	2.7
1984*	919.6	2.1	119.2	2.7
1985*	1,018.9	2.1	134.3	2.7

*Based upon the October, 1983 forecast and indicated debt service.

The median ratio of state debt to personal income in 1981 was 2.1% for the 39 states which issue state general obligation indebtedness.

The state's credit rating was reduced from a AAA to a AA by Moody's Investors Service and Standard and Poor's Corporation in early 1982. The state remains AA rated by both rating agencies. The reason for the downgrading related primarily to the rapid increase in annual short-term borrowing. from 0 in 1979 to $850 million in 1982 and the budget difficulties of the state.

DEBT MANAGEMENT POLICY (Contd.)

Interest Rates

Higher interest rates over the past several years have resulted in the state paying increased total interest expenses on its general obligation debt. Each year a greater portion of the General Fund debt service goes for interest payments rather than principal repayments. Bonds sold today carry an interest expense obligation for 20 years.

Shown below is the difference in interest expense between a 20 year bond issue sold in December, 1963 at 3.1% and a bond issue with equal principal if sold today at 8.5%.

Bonds Sold 12/63		Bonds Sold Today		Difference Amount	%
Principal	40,600,000	Principal	40,600,000		-0-
Interest	7,424,510	Interest	36,235,500	28,810,990	388
20 Yr. Total	48,024,510	20 Yr. Total	76,835,500	28,810,990	60

The rate received on state bonds has risen substantially in recent years. Shown below are all the bond sales since May, 1977, the amount of the sale, the total 20 year interest expense and the percentage of total debt service used for interest payments over the 20 years. The bond sales of August, 1981; May, 1982; and August, 1982 were all made at interest rates over 10% and resulted in total interest payments in excess of the principal over the 20 year life of the bonds.

TABLE II

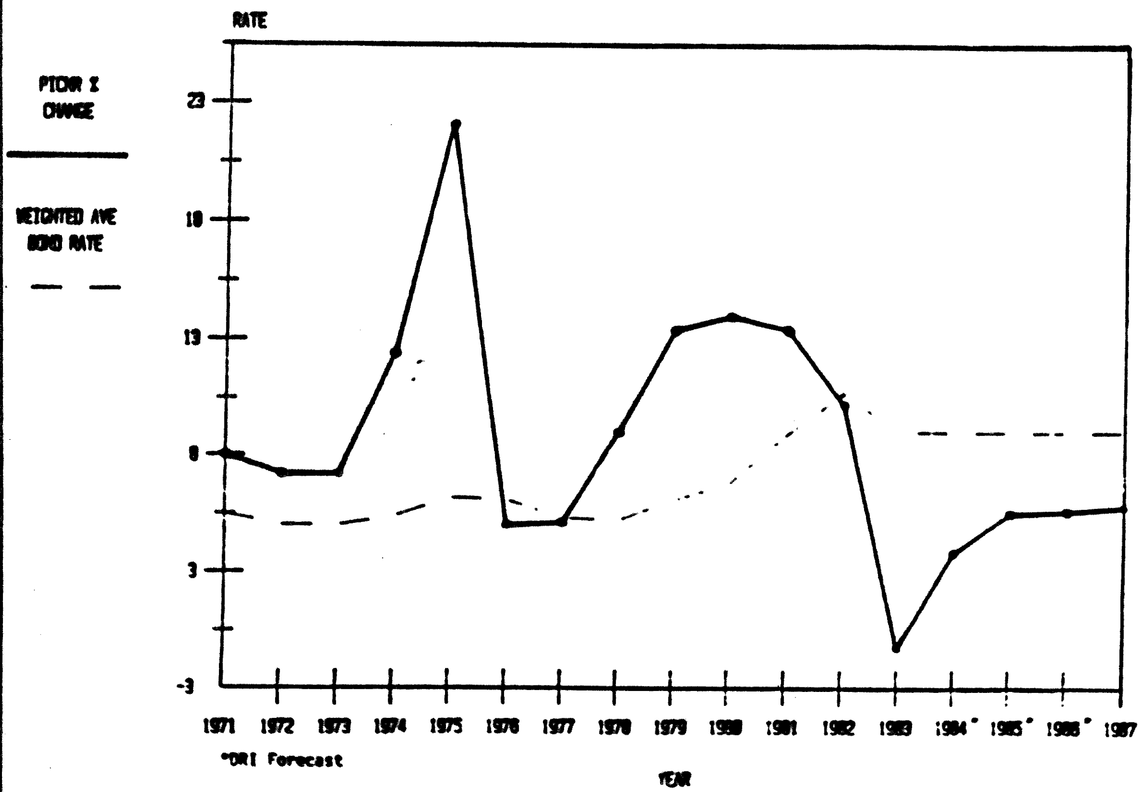
BOND SALES
May, 1977 - August, 1983

Date	Interest Rate	Principal	20 Years Interest	Total Principal and Interest	Percentage Debt Service for Interest
May, 1977	4.688%	$112,000,000	$58,377,400	$170,377,400	34.46%
January, 1978	4.718	134,000,000	67,113,900	201,113,900	33.37
February, 1980	6.3460	110,000,000	73,300,400	183,300,400	39.99
November, 1980	8.3742	90,000,000	79,683,200	169,683,200	46.96
August, 1981	10.0065	63,000,000	63,159,100	126,159,100	50.06
May, 1982	10.33	62,000,000	67,750,500	129,750,000	52.22
August, 1982	10.5135	63,000,000	70,087,500	133,087,500	52.66
August, 1983	8.6649	89,000,000	81,341,600	170,341,600	47.75

The graph below shows the relationship between the percentage increase in inflation based upon the Private Non-Residential Construction Costs (PICNR) and rate of interest on the state's bonds. From 1971 through 1981, with one short exception, inflation was rising at a faster rate than the interest cost to the state. During this period, the financing of capital projects by the sale of bonds was advantageous, because cheaper future dollars could be used to finance a project. However, the interest rate on state bonds now significantly exceeds the current and forecast rate of inflation. The use of bonding to finance capital projects now results in a real interest rate penalty. This penalty is a real cost to the state and is paid for over the 20 year life of the bond. A consequence is that a future generation of taxpayers is required to pay this penalty cost incurred by a decision made today.

PICNR % CHANGE VS BOND INTEREST RATE

(PICNR = PRIVATE NONRESIDENTIAL COST)



Bond Authorizations

There are currently bonds authorized from past legislative sessions which have not been sold. The unsold bond authorizations from the General Fund are shown in Table III. In order to complete projects previously started and to begin construction of previously authorized projects, the Department of Finance plans to conduct three additional bond sales during the 1984-85 biennium. Each sale would average $89 million, for a total of $267 million of which $212 million would be for projects currently authorized.

TABLE III

STATE GENERAL OBLIGATION BONDS AUTHORIZED AND UNISSUED

Authorization Year-Chapter	Type	Authorization	Portion Unlikely to be Sold
71-856	Municipal Aid	$ 20,000	$ 20,000
	BUILDING BONDS		
79-300	Dam Safety Loans	765	
79-338	Various Building	7,580	
81-275	University of MN - Hospital Loan	190,000	190,000
81-4	Various Building	11,350	
81-304	Metropolitan Council/DNR	5,690	
81-334	District Heating - Admin. Building	3,450	
	- Loans	43,485	
81-361	Various Building	4,840	
81-362	Higher Education	41,147	
82-639	Various Building	63	
83-323	School Energy Loans	30,000	
83-344	Various Building	94,665	
	SUBTOTAL - BUILDING BONDS	$ 433,035	$ 190,000
	TRANSPORTATION BONDS		
79-280	Local Bridges	$ 16,500	$
80-610	Railroad Rehabilitation	10,600	
81-361	Interstate	58,900	58,900
	SUBTOTAL - TRANSPORTATION BONDS	$ 86,000	$ 58,900
M.S 116.17	WATER POLLUTION CONTROL BONDS	$ 21,900	
80-564	WASTE MANAGEMENT BONDS	$ 11,700	
	TOTAL GENERAL FUND BONDS	$ 572,635	$ 268,900
83-17	TRUNK HIGHWAY BONDS	$ 51,000	
80-545	MAXIMUM EFFORT SCHOOL LOAN BONDS	$ 6,225	$ 6,225
	TOTAL AUTHORIZED, BUT UNISSUED	$ 629,860	$ 275,125

Shown below is the current status of the bond authorizations and the effect on the balance after the bonds sales in the biennium.

Total Authorizations	$629,860,000
Unlikely to be sold*	275,125,000
Trunk Highway	51,000,000
Net to be sold - (GF)	303,735,000
Remaining Bond sales 1984-85 biennium	212,000,000
Balance unsold 6-30-85 - (GF)	$ 91,735,000

*This includes municipal aids, school loans, transportation bonds and the University of Minnesota Hospital from Table III.

The $303,735,000 in bonds to be issued for past authorizations is high because the Department of Finance had to limit the sale of bonds due to high interest rates and the state's budget problems in 1981 and 1982. The $91,735,000 unsold balance at the end of the biennium represents those projects which are not expected to complete construction during the biennium. The largest item within this amount is for district heating projects.

The Department of Finance sells bonds to finance the construction of projects based upon cash flow needs. When available, actual cash flow projections have been used. When not available, the historic relationship that approximately 40% of the funds are needed the first year, 40% the second year, and 20% the third has been used for planning future cash flow requirements and the size and timing of future bond sales.

Requests for new authorizations for capital projects by biennium have been received from state agencies as follows:

1984 Session	$ 360,739,000
1985-87	486,548,000
1987-89	407,544,000
	$1,254,831,000

Debt Management Alternatives

The Debt Management Policy was established to provide guidelines for the issuance of debt. The policy guidelines, as previously stated, provide a means of determining the carrying capacity of the state's general obligattion debt. The guidelines also use the traditional debt to personal income ratio as a measure of prudent state indebtedness. Different alternatives for the level of funding by the sale of bonds and the effect on the guidelines of the Debt Management Policy were considered prior to the establishment of this capital budget. Consideration was also given to the current high interest rates and the interest obligations they impose on future taxpayers.

One objective of the Debt Management Policy when it was established in 1979 was to maintain the state's AAA rating. Today, with the state rated AA, the objective has been revised to regain the AAA rating. Part of future evaluations by the rating agencies will include the debt burden of the state. Significant changes in the percentage of General Fund appropriations for debt service or significant changes in the state's debt to personal income ratios are considered as an indication of a weakening credit by the rating agencies. Unhappily, there are no clear benchmarks or absolute ratios that would be associated with the reattainment of the AAA bond rating.

The number of authorized projects which can be built is based upon the amount of bonds which can be sold. The amount of bonds which can be sold is based upon the debt service appropriation in the General Fund.

Revenue projections used in this document are based upon a continued economic recovery which slows in 1986 and 1987. Renewed recession or stagflation would reduce the growth of revenues and restrain the amount of the General Fund appropriation for debt service. Any decrease from projected revenues would likely result in the reduced sale of bonds.

Four alternatives for the financing of capital projects were considered and are discussed below. The first three alternatives represents levels of bondings based upon different levels of General Fund appropriations for debt service. The fourth alternative considered was pay-as-you-go.

Alternative 1

The first alternative considered was to finance past authorizations and all new request through fiscal year 1989 by the sale of bonds. Shown below are the timing of the sales, the effect on the guidelines of the Debt Management Policy, and the additional appropriation needed for debt service over the current level.

Table IV
Debt Service Funding All Requests
($ in Thousands)

Fiscal Year	Bond to be Sold: Bonds Previously Authorized	Bond to be Sold: New Authorization	General Fund Debt Service to General Fund Net Revenues	Projected Debt to Personal Income	Additional General Fund Appropriation Over Current Level
1984	$ 75,000	-		2.0%	
1985	137,000	$ 138,770	3.0%	2.2	$ 4,371.8
1986	50,445	235,690	3.7	2.4	45,554.8
1987	41,290	263,216	4.1	2.5	90,082.2
1988	-	224,810	4.2	2.5	106,103.0
1989	-	207,337	4.1	2.4	123,366.4
1990	-	111,681			
1991	-	39,720*			
Totals	$ 303,735	$1,221,224**			

* Bonds issued to show the completion of funding for authorized projects started in previous years.
** Total agency requests excluding Trunk Highway Fund.

The above Table IV shows that the General Fund debt service to General Fund net revenues reaches a peak of 4.2% in 1988. The debt to personal income ratio rises to 2.5% in 1987. In fiscal year 1989, the additional General Fund appropriation needed for debt service exceeds the current levels by $123,366,000.

Alternative 2

The second alternative considered was to hold the ratio of debt service to General Fund revenues at the 2.5% level of the 1979 Debt Management Policy.

Table V

Debt Service Funding at 2.5% Level
($ in Thousands)

Fiscal Year	Bond to be Sold: Bonds Previously Authorized	Bond to be Sold: New Authorization	General Fund Debt Service to General Fund Net Revenues	Projected Debt to Personal Income	Additional General Fund Appropriation Over Current Level
1984	$ 69,000	-		2.0%	
1985	40,000	-	2.5%	1.8	($21,280.2)
1986	86,000	-	2.5	1.7	(16,915.4)
1987	85,735	$ 29,265	2.5	1.7	(6,405.4)
1988	23,000	91,000	2.5	1.6	4,400.6
1989	-	113,500	2.5	1.4	17,810.6
1990	-	61,235*			
1991	-	15,000*			
Totals	$ 303,735	$ 310,000			

* Bonds issued to show the completion of funding for authorized projects started in previous years.

Bonds could be sold to finance $303,735,000 in past authorizations and $310,000,000 in new authorizations through 1989. However, new authorizations for the next several years would be dramatically curtailed. The debt to personal income ratio would decline to 1.4% in 1989. General Fund appropriations could be reduced for debt service through 1987 with increases required over the current level in 1988 and 1989.

Alternative 3

The third alternative considered was to appropriate 3.0% of anticipated General Fund revenues for debt service. The level of funding and bond sales are shown below.

Table VI

Debt Service Funding at 3.0% Level
($ in Thousands)

Fiscal Year	Bond to be Sold: Bonds Previously Authorized	Bond to be Sold: New Authorization	General Fund Debt Service to General Fund Net Revenues	Projected Debt to Personal Income	Additional General Fund Appropriation Over Current Level
1984	$ 75,000	$		2.2%	
1985	137,000	55,000	3.0%	2.1	$ 3,343.6**
1986	50,445	66,555	3.0	2.1	8,581.6
1987	41,290	92,710	3.0	2.0	21,193.6
1988		143,000	3.0	1.9	34,160.6
1989		148,000	3.0	1.8	50,252.6
1990		89,265*			
1991		25,470*			
Totals	$ 303,735	$ 620,000			

* Bonds issued to show the completion of funding for authorized projects started in previous years.
** The additional appropriation needed will use the carry forward balance available from the F.Y. 1984 appropriation.

Bonds would be sold to finance $303,735,000 in past authorizations and $620,000,000 in new authorizations through 1989. The debt to personal income ratio would decrease to 1.8% in 1989. Additional appropriations from the General Fund for debt service would not be needed during this biennium. However, additional appropriations over the current level would be needed each year of the next two biennia.

Alternative 4

The fourth alternative considered was pay-as-you-go. Agency requests included many items that could more appropriately be funded on a pay-as-you-go basis.

These projects are not capital improvements and could be categorized as repair and betterments. Such projects include roof replacement, tuckpointing, electrical rewiring, plumbing replacement and similar work.

The 1983-84 operating budget incorporated increases in appropriations for repairs and betterments. Nevertheless, the deferral of such maintenance created a backlog that will require several biennia to eliminate. Accordingly, the requests in the capital budget were reviewed and recommended for approval in this capital budget to be financed by an appropriation from the General Fund in order to reduce the backlog. The Governor's 1985 budget recommendation will include increased appropriations for maintaining the physical capital stock in order to prevent a recurrence of this situation.

In addition, capital projects could also be considered for construction on a pay-as-you-go basis. The long-term benefit of pay-as-you-go is that more projects can be built with the same money since the state does not have to pay interest on bonds. The short-term disadvantage of pay-as-you-go is that fewer projects can be built in the early years when funds available from bonds would otherwise be available. At the present interest rate of 8.5%, the total of principal and interest payments after 8.5 years is equal to the original principal amount.

Recommendation - General Fund Debt Service

The following recommendations are made for funding of capital projects through fiscal year 1989.

1. The General Fund appropriation for debt service should not exceed 3.0% level of projected revenues.

2. All proposed projects which are actually repairs and betterments should be funded by appropriations from the General Fund. The amount recommended for the 1984 Session is $31,522,000.

3. Funding for capital projects which exceed the 3.0% General Fund debt service guidelines should be financed by appropriations from the General Fund, to the extent such revenues are available.

4. Limit the future sales of revenue bonds to reduce the total of revenue debt to 3.5% of personal income. Limiting revenue bond sales would indicate to the bond rating agencies the state's desire to control the future growth of revenue debt. The current ratio is heavily influenced by the University Hospital Bonds. As this issue matures and personal income grows, the target of 3.5% becomes achievable.

5. Cancel the authorization for projects for which the bonds are unlikely to be sold. Bond authorizations which are greater than the actual costs should be cancelled and the excess authorizations appropriated for other projects.

Appropriating 3.0% of General Fund revenues for debt service was discussed in Alternative 3 previously. Table VI on page 13 provides the information on the effect of this level of bonding on the debt to personal income ratio and the additional appropriations over current levels required from the General Fund.

Appropriating more than 3.0% of General Fund revenues for debt service would not be prudent. The increased yearly debt service carrying cost to the General Fund incorporated in the 3.0% guidelines is significant, and to go beyond that trend could indicate that the state is not managing its debt in a responsible manner. The state must simultaneously appraise the cost burden it can prudently bear in the outyears as well as the message that bonding appropriation trends send to the bond rating agencies and the bond market.

Projects which are authorized but for which bonds are unlikely to be sold are the University of Minnesota Hospital, transportation project, and municipal aid. The total of these authorizations is $268,900,000. Project authorization balances which should be reappropriated to other projects include the following:

University of Minnesota	- Music Building	$ 4,525,000
	- Soil Science, Plant Pathology	1,400,000
	Subtotal	$ 5,925,000
Administration -	Moorhead State University - District Heating	$ 2,485,000
	Fergus Falls State Hospital - Heating Plant	2,550,000
	Brainerd State Hospital - Remodel Residence	1,129,000
	Rochester State Hospital - Remodel Bldg. 8	68,000
	Capitol Complex - Tunnel to Mechanic Arts	412,000
	Purchase MEA Building	3,135,000
	Subtotal	$ 9,779,000
Finance - Wood Conversion Loans		1,200,000
	TOTAL	$16,904,000*

*The amount recommended for reappropriation exceeds the amount of projects recommended to be financed by reappropriation by approximately $132,000.

The next four pages show information based upon these recommendations:

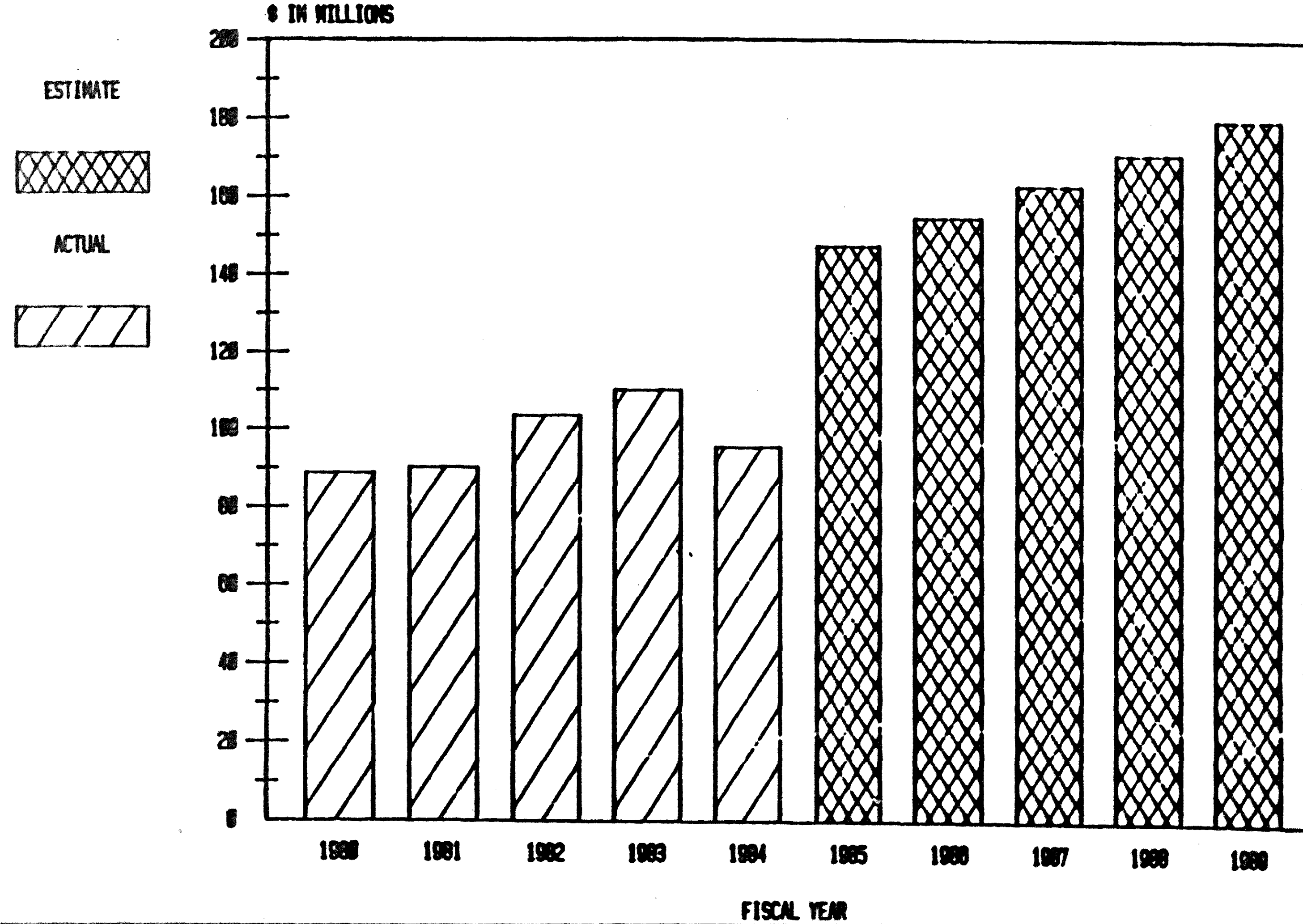
1. General Fund Debt Service Transfer Graph
2. Sale of Bonds at the 3% Debt Management Policy Graph
3. Additional Appropriations Over the Current Level
4. Bond Sales and Authorizations Table

The last table is particularly important. It shows what in total can be authorized in a given year. Note that the bonds would not be sold immediately, but over a three or four year period. Thus in reviewing projects for inclusion in the capital program, both the amount of authorization for a project, as well as, the actual cost needs of the project must be fit into the total bond authorization and sales capacity.

GRAPH II

GENERAL FUND DEBT SERVICE TRANSFER

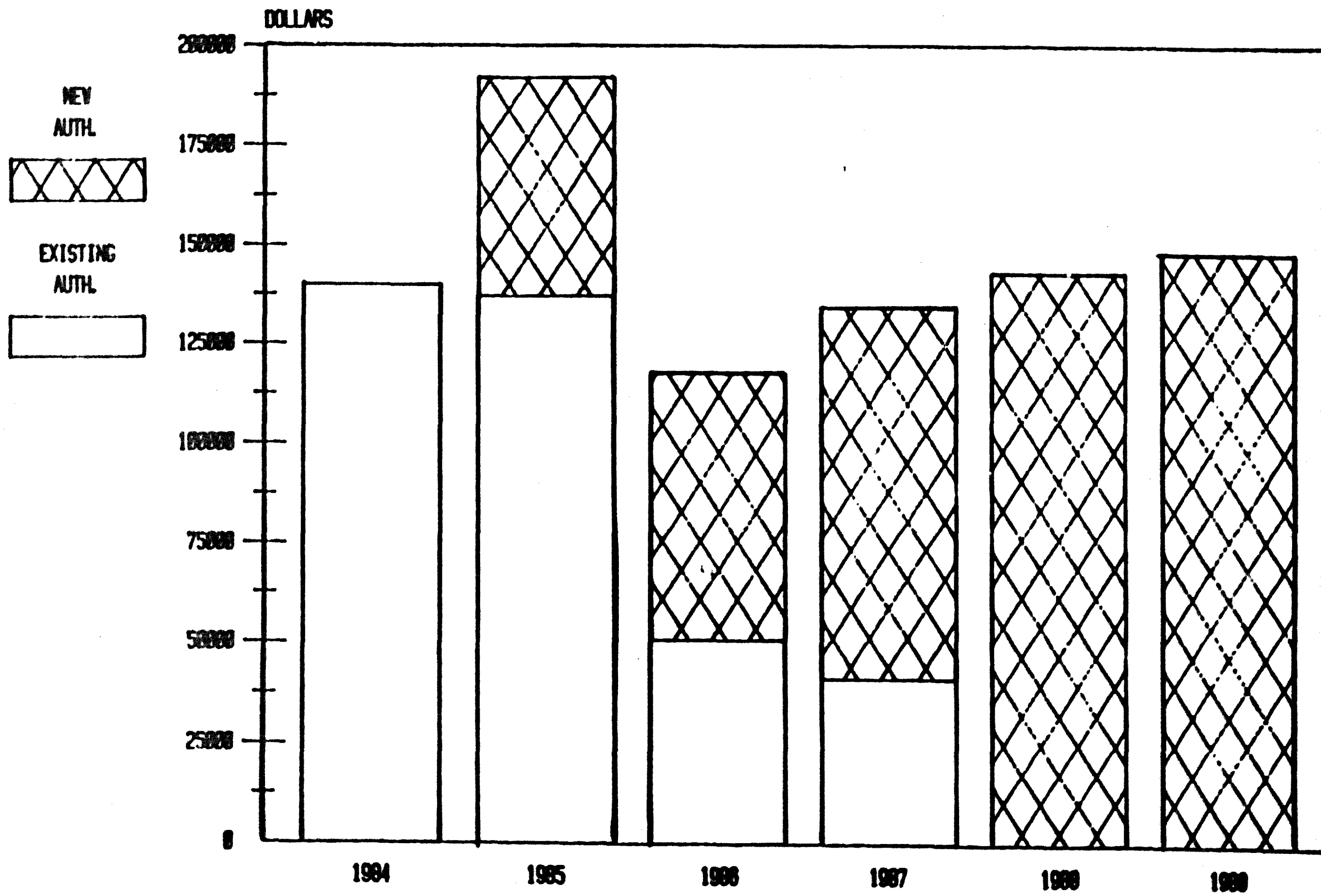
FY 1985-89 EST AT 3% DEBT MGMT POLICY



GRAPH III

SALE OF BONDS AT 3% DEBT MGMT LEVEL

($ IN THOUSANDS)



GRAPH IV

ADDITIONAL APPROP. OVER CURRENT LEVEL

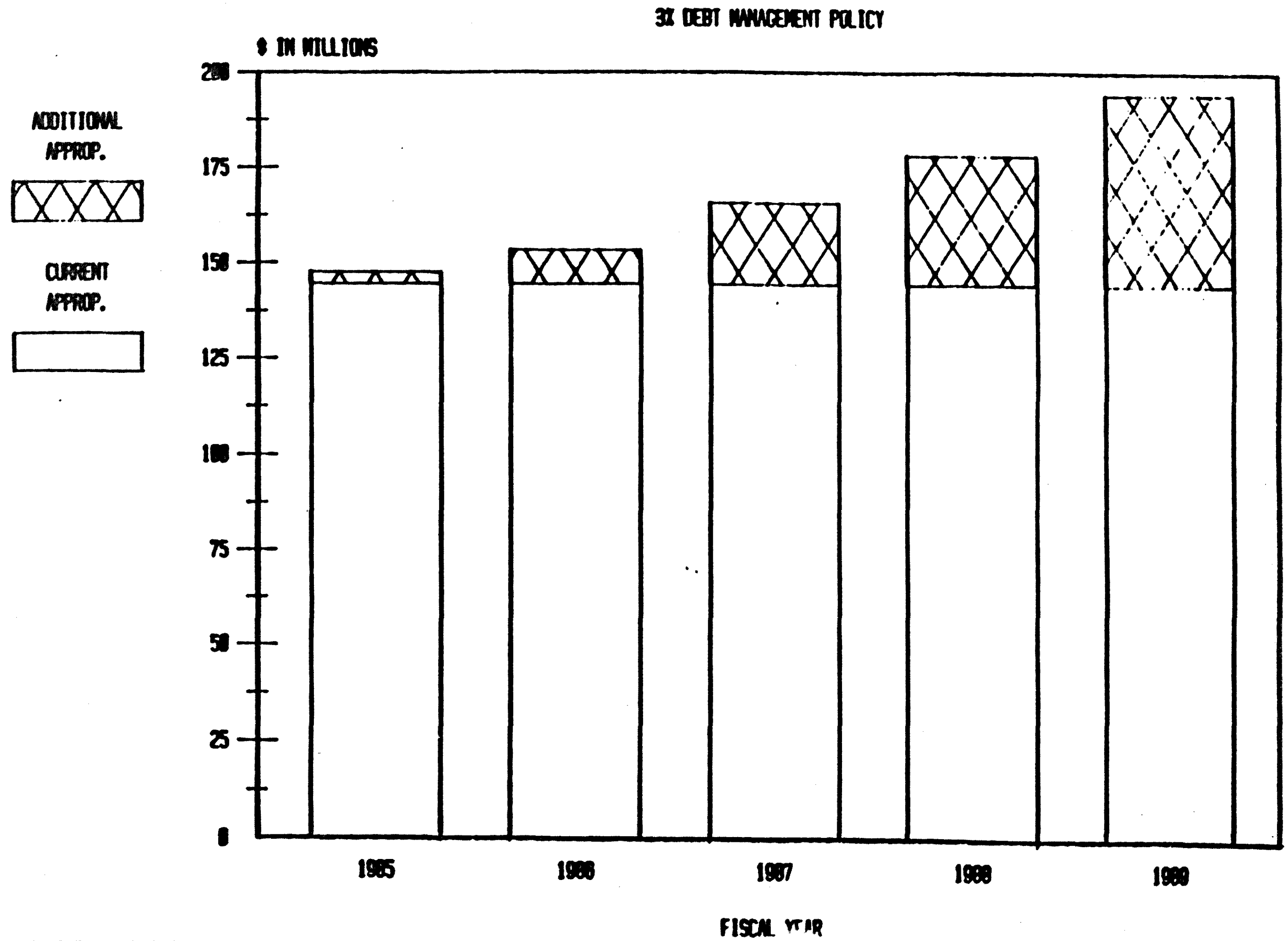


Table VII

BOND SALES AND AUTHORIZATIONS
BY YEAR

(In Thousands)

Year Of Authorization	Year of Sale: F.Y. 1984	F.Y. 1985	F.Y. 1986	F.Y. 1987	F.Y. 1988	F.Y. 1989	F.Y. 1990	F.Y. 1991	Total Authorization
Prior to 1983	$ 49,780	$ 87,000	$ 25,000	$ 17,290					$179,070
1983 Session	25,220	50,000	25,445	24,000					124,665
1984 Session		55,000	50,000	30,000					135,000
1985-86			16,555	62,710	$ 74,265	$ 21,470			175,000
1987-88					68,735	126,530	$ 89,265	$ 25,470	$310,000
TOTAL BOND SALES	$ 75,000	$192,000	$117,000	$134,000	$143,000	$148,000	$ 89,265	$ 25,470	$923,735
DEBT SERVICE TRANSFER	$133,700	$147,700	$153,000	$165,600	$178,600	$194,760			
INCREASE BIENNIUM OVER BIENNIUM			13.2%			17.1%			

General Obligation Debt Authorizations with 1984-85 Recommendation

The table below shows the amount of new General Fund authorizations approved by the Legislature for the past five bienniums and the 1984-85 recommendations.

Table VIII

Legislative Session	Biennium	Authorizations
1973-1974	1974-75	$ 173,570,000
1975-1976	1976-77	$ 160,309,000
1977-1978	1978-79	$ 293,266,000
1979-1980	1980-81	$ 246,855,000
1981-1982	1982-83	$ 485,140,000 1/
1983-1984	1984-85	$ 258,305,000 2/

1/ This includes $190 million for the University of Minnesota, which, if sold, would be repaid by hospital revenues. Also included is $43 million for District Heating Loans which would be repaid by the borrowing municipalities.

2/ Includes $142,445,000 appropriated in 1983 session and $115,860,000 recommended for approval in the 1984 Session. An additional $16,722,000 in projects is recommended to be financed by the reappropriation of previously authorized bonds.

The 1984-85 recommendation of $258,305,000 is below the average of the past five bienniums of $271,828,000. Also, the 1984-85 recommendation is only slightly higher than the amount authorized during the 1980-81 biennium.

Governor's Recommendation

The Governor's recommendations are made within the constraints of the Debt Management Policy. They address the high priority capital improvement needs of the state over the next five years. Authorization of some requests for 1985 had to be deferred until 1988 and 1989 while others are recommended for 1986 and 1987.

The Governor recommends $132,582,000 authorization of specific projects in 1984 for fiscal years 1985, 1986, and 1987 (A summary is shown in Table IX.) Projects listed as 1986 and 1987 recommendations are preliminary and would not become formal proposals until the 1985 and 1986 legislative sessions. However, the three year proposal must be presented for legislative