State General Obligation/Revenue Bonds

The state sells general obligation bonds into the market place. The proceeds from the sale of the bonds are used to pay the cost of building the capital projects that are approved by the Legislature.

The Commissioner of Minnesota Management & Budget by law is authorized to sell and issue the bonds. The Treasury Division oversees the state's debt management policies and guidelines. The division maintains a debt capacity model that is used to determine the state's debt capacity and to forecast debt service costs of future capital budgets.

State Debt Management Practices (January 2011)

The state receives credit rating on its general obligation bonds from three credit rating agencies. The state's current ratings are:

- Moody's Investors Service- Aa1
- Standard & Poor's Corporation- AA+
- Fitch Ratings- AA+

General Obligation bonds carry the full faith and credit of the state. This means that the state has pledged to levy a statewide property tax to pay the debt service costs. Instead of levying the statewide property tax, the Legislature appropriates from the general fund and other funds an amount of money sufficient to pay the debt service on the bonds.

Below are some commonly asked questions regarding state general obligation bonds.

How many bonds are authorized by the legislature each year? (view chart)

- Agency Services
  - Human Resources Forms & Tools
  - Labor Relations
  - Management Analysis & Development
  - Staffing Resources
  - Workforce Diversity
  - Workforce Planning
- Statewide Systems
  - Budget Information System (BIS)
  - IA Warehouse
  - MAPS
  - Statewide Financial and Maps Policies
  - SEMA4
  - SWIFT
  - Security

How many bonds are currently authorized but not yet issued? (view chart)

How many general obligation bonds are currently outstanding? (view chart)

What capital projects are eligible for bond financing?
Article XI, Section 5, of the Minnesota Constitution states the requirement for incurring public debt (general obligation bonds). Subdivision (a) states "to acquire and to better public lands and buildings and other public improvements of a capital nature, and to provide money to be appropriated or loaned to any agency or political subdivision of the state for such purposes."

This means that the constitution requires four tests to be met.

- The project for which the bonds are to be issued must be publicly owned.
- The project must be a capital expenditure.
- The project must be a public purpose.
- The purpose for which bonds are to be issued must be clearly set forth in the law.

What are the constitutional provisions for which bonds may be issued?

- Repel invasion or suppress insurrection
- Borrow temporarily
- Refund outstanding bonds of the state or any of its agencies
- Establish and maintain highways
- Promote forestation and prevent and abate forest fires
- Construct, improve and operate airports and other air navigation facilities
- Develop the state's agricultural resources by extending credit on real estate
- Improve and rehabilitate railroad right-of-way and other facilities whether public or private