

**Subject** Appropriation bonds repealed, general obligation bonds authorized

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## Overview

This bill repeals the 2018 provisions authorizing appropriation bonds payable from the environment and natural resources trust fund. The bill appropriates state general obligation bond proceeds for the same projects in the same amounts and authorizes the sale of general obligation bonds for those appropriations.

The special appropriation trust fund bonds were scheduled to be sold last fall. However before the bonds were sold, a lawsuit was brought asserting that the special appropriation trust fund bonds violate the state constitution. The bonds cannot be sold while there is litigation pending related to them and in general, bonds are not sold while the legislature is in session.

*Comparison of appropriation bonds to general obligation bonds.* The legislature may repeal or cancel payment of debt service on appropriation bonds at any time. Because appropriation bonds are less secure for the investor, all other things being equal, they are likely to cost the state more in interest than general obligation bonds, which are backed by the state's full faith and credit.

In addition, money appropriated from appropriation bond proceeds is available only after the bonds are sold. In contrast, a project appropriated money from general obligation bond proceeds is not as dependent on the actual sale of bonds but may receive an advance from the state general fund as soon as the law is enacted; the general fund is then repaid from the bond proceeds once the bonds are sold.

## Summary

Section	Description
1	<p><b>Capital improvement appropriations.</b></p> <p>States the generally applicable provisions for the bill. These are standard provisions in omnibus bonding bills and include that the money appropriated in this article:</p> <ul style="list-style-type: none"><li>▪ is from state general obligation bond proceeds unless otherwise stated;</li><li>▪ must be spent on purposes allowed by the state constitution;</li></ul>

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	<ul style="list-style-type: none"><li>▪ may be used for state agency staff costs that are directly attributable to the capital program or project, subject to Minnesota Management and Budget policy;</li><li>▪ is available until the project is completed or abandoned subject to the statute governing cancellation of capital funding;</li><li>▪ for asset preservation should not be used for work that can be done in a reasonable time using existing energy improvement financing programs; and</li><li>▪ for a grant to a political subdivision is available after the commissioner of management and budget determines that an amount sufficient to complete the project as described in this act has been committed to the project.</li></ul>
2	<p><b>Natural resources.</b> For natural resources asset preservation, to dredge Lake Orono in Elk River, and for storm water control structures to improve water quality of Seidl’s Lake in South St. Paul.</p>
3	<p><b>Pollution Control Agency.</b> For the Waste Disposal Engineering (WDE) site cleanup in Anoka County, and for the Lake Redwood reclamation project.</p>
4	<p><b>Board of Water and Soil Resources.</b> For Reinvest in Minnesota (RIM) reserve program.</p>
5	<p><b>Public Facilities Authority.</b> For state match for the clean water revolving fund for wastewater treatment; water infrastructure funding program for wastewater infrastructure; and point source implementation grants.</p>
6	<p><b>Metropolitan Council.</b> For the regional parks and open space system capital improvements.</p>
7	<p><b>Bond sale expenses.</b> For bond sale expenses.</p>
8	<p><b>Bond sale authorization.</b> Authorizes \$98.098 million in general obligation bonds for the projects in this article.</p>
9	<p><b>Expenditures (environment and natural resources trust fund statute).</b> Strikes the language added in 2018 to allow the trust fund to pay principal and interest on special appropriation trust fund bonds.</p>

Section	Description
10	<b>Repealer.</b> Repeals the 2018 statute and appropriations from and authorizations for special appropriation trust fund bonds.
11	<b>Effective date.</b> Effective the day after final enactment.



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