

Attachment: Excerpts of background information from the City about bonding

What is Bonding?

“Bonding” refers to the process by which the state finances certain construction projects of local, regional, and statewide significance through the selling of bonds. In short, bonds are a form of debt; they are promises to repay the money borrowed at a specified time and interest rate. The bonding process is relatively simple and, in many ways, similar to a loan: the state borrows money to pay for larger-scale construction projects by selling bonds to investors who, in return, will earn interest as the agencies pay them back. Since infrastructure projects typically make up a significant portion of bonding bills, these bonds come in the form of general obligation bonds and are guaranteed by the state. In addition to bonding, the state also uses cash from other areas of the budget to pay for these projects.

What is a Bonding Bill?

A “bonding bill”, also known as a capital investment bill, is a piece of legislation that authorizes the issuing of bonds and other capital to pay for certain construction projects and infrastructure upgrades. Projects are only eligible for bonding if they are publicly-owned and designated as infrastructure; bonding bills typically include projects requested by local governments, including colleges, universities, cities, counties, townships, and other public entities. The projects that end up being included in a bonding bill are selected by legislators after touring the state and speaking with stakeholders. Examples of the types of projects often funded through a bonding bill include construction, renovations, and upgrades at colleges and universities, hospitals, prisons, wastewater treatment facilities, bridges, trails, parks, airports, and other public buildings. Bonding bills must pass both the House and the Senate with a three-fifths majority vote and must be signed by the governor before becoming law.

How Many Other Communities Have Asked for Funding

More than [\\$5.3 billion in capital requests](#) have been made by state agencies, colleges, universities, cities, counties, townships, and other government entities across Minnesota. Projects that have requested funding include deferred maintenance at colleges and universities, wastewater treatment facility improvements, upgraded highways and bridges, public housing infrastructure, natural resource protection, mass transit, and more. Because projects are only eligible to seek bonding if they are publicly-owned, these are important projects that directly impact the lives of millions of Minnesotans. The process of assembling a bonding bill begins when local governments, state agencies, and other eligible entities submit requests seeking bonding as financing for their projects. Minnesota Management and Budget (MMB) is the state agency responsible for collecting these requests. In 2017, there were nearly \$4 billion in bonding requests and the legislature passed a \$988 million bonding bill. In 2018, there were \$3.3 billion in bonding requests and the legislature passed a \$1.46 billion bonding bill.

Note: Web address to above link, [\\$5.3 billion in capital requests](#), is <https://mn.gov/mmb/budget/capital-budget/current/>